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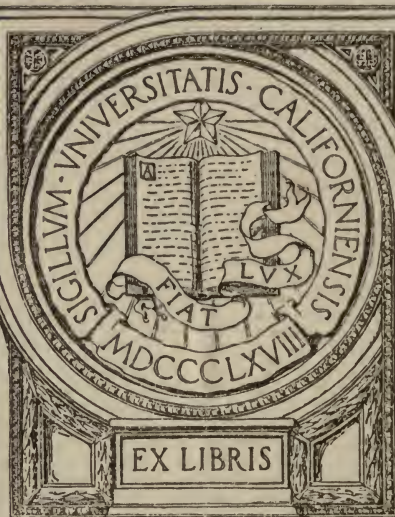
OF THE

MICHIGAN BUDGET COMMISSION
OF INQUIRY



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EXCHANGE



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REPORT



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Michigan Budget Commission of Inquiry

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EXCHANGE

REPORT OF THE MICHIGAN BUDGET COMMISSION OF INQUIRY

Lansing, Michigan, October 1st, 1918.

Hon. Albert E. Sleeper, Governor of Michigan.

Sir:—In accordance with the requirements of act one hundred ninety-three, public acts of nineteen hundred seventeen, the following report of the Michigan Budget Commission of Inquiry is respectfully submitted to you:

Organization of the Commission:

Following your appointment of the commission and pursuant to your call, the commission, consisting of Joseph W. O'Brien of Grand Haven, Charles D. Thompson of Bad Axe, Dana H. Hinkley of Petoskey, O. C. Tompkins of Lansing, and George Lord of Detroit, met with you and Auditor General Fuller, ex-officio members, at the state capitol on July 11th, 1917, and formally organized by electing yourself Chairman; Commissioner C. D. Thompson, Vice-Chairman, and Commissioner George Lord, Secretary. Your designation of Commissioner Thompson as special investigator was later confirmed by the commission.

Powers and Duties:

As expressed in the title of the creative statute, the commission was created "to investigate and report upon the general financial system of this state insofar as it relates to the appropriation, control and expenditure of moneys for the support of state departments, boards, commissions and offices, and to investigate, report upon, and recommend legislation necessary to establish a budget system."

The act charges the commission with the duty of making a thorough survey and investigation of the financial system of the state and of the general affairs of the several activities of the state government, for the purpose of ascertaining facts relative to the business and financial administration and the degree of efficiency and economy maintained in the expenditure of moneys appropriated; of investigating and ascertaining the facts relative to the present method of appropriating money; of examining the budget laws of other states, their operation and results obtained, and of gathering and compiling such information as may be necessary to enable the commission to formulate a comprehensive budget system for the state. It is also charged with the duty of drafting appropriate bills for legislative consideration, embodying such changes in the present laws as may be necessary to bring about the most efficient and economical correlation, control and management of the several activities of the state government, and the expenditure of public funds; also a bill, or bills, providing for the regulation and control of the appropriation of moneys by an adequate budget system. A further duty imposed on the commission is that of causing an examination to be made, by its special investigator, of each state department, institution, board, commission and office for the purpose of ascertaining their respective financial

needs and estimated income for the next biennial period, and of making an estimate and compilation thereof from which a budget must be prepared for presentation to the next legislature.

There are forty-three active state departments, boards and commissions and twenty-five state institutions. To visit and investigate the general affairs of each of these units of the state government, in addition to the other duties imposed upon the commission, was found to be physically impossible of accomplishment within the time limit prescribed by the statute, namely, January first, nineteen hundred eighteen. The commission suggested, therefore, in order that no part of the work be left undone, that the services of the special investigator and the secretary be continued until such time as the requirements of the statute be carried out. In accordance with this suggestion of the commission, and acting under authority vested in you by law, you designated Special Investigator Thompson and Secretary Lord to continue their respective duties until the statutory requirements be fully complied with. The result of all this work is as herein set forth.

WHY A BUDGET SYSTEM?

That question can best be answered by briefly stating the present system of appropriating public revenues, the manner of controlling moneys appropriated and the method of their disbursement. Also, by way of comparison, the system that would prevail under adequate budgetary procedure.

As a general rule, appropriation bills, under our present system, are prepared by the departments, institutions and offices requesting money and, in the case of institutions, are usually introduced in the legislature by the members representing the localities in which the institutions are located. Because of local pride and the possibility of added political prestige, it is only reasonable to assume that these members of the legislature will make every effort to get as much money as possible for their respective institutions, to the extent of the amounts requested in the appropriation bills, and this irrespective of whether they have ascertained, with a reasonable degree of certainty, that the amounts requested are actually needed and are essential to the public good. Their knowledge of the financial needs is usually based on what the executive heads of the institutions tell them rather than on personal investigation. This criticism is also applicable to the other state activities seeking appropriations, the bill for each of which is usually introduced by some member at the request of the executive head of the department or office requesting the appropriation, and the only information he gets as to the necessity for the appropriation requested is the information furnished him by the department or office affected. He is not furnished with adequate information resulting from a proper investigation of financial needs, nor with a comparative statement of past expenditures with amounts requested for the same activity, essential to his intelligent understanding of the measure he is advocating and to the economic conduct of governmental activities.

Appropriation bills, upon their introduction, are first referred to the standing committees on the institutions, or other state activities, they

cover. Preliminary to the consideration of an appropriation for a state institution, the committee usually visits the institution and, in a sort of a perfunctory way, endeavors to find out something as to what the financial needs of the institution are. As a usual thing, the time spent by the committee at the institution is wholly inadequate for getting anything but meager information, and most of that is furnished by the executive officer of the institution. Furthermore, the members of the committee are not usually men who have made a study of state governmental business and financial affairs. It should not be expected, therefore, that they gain very much knowledge as to actual conditions, other than what they are told, by a few hours' visitation. They undoubtedly do the best they can in the limited time they can spend at the institution and, generally, are honest and conscientious in their endeavors. The fault, then, is with the system.

When the appropriation bills are reported out by the standing committees they are immediately referred to the committee on ways and means, or finance, where they rest, with few exceptions, until the closing days of the legislative session. When those committees get through with their pruning to a point where they are quite sure that the total of all the appropriation bills does not exceed the aggregate amount which the administration agrees shall be the maximum cost of the state government for the next biennium, the bills are reported out and are usually enacted as reported, without change and with but little, if any, discussion. The reason for the apparent "smooth sailing" of appropriation bills after being reported out by the finance committees is that the members of the legislature, other than the members of the committees to whom appropriation bills are referred, are not furnished with any information as to the actual necessity for the amounts of money called for, neither are they afforded the adequate means for consideration of appropriation items, essential to effective criticism and to an intelligent vote thereon. Furthermore, under the present system, the general public who is called upon to "foot the bill" gets no information relative to the financial program until the closing days of the session and then about all the information the public gets is that a certain amount of money was appropriated for certain activities. There being practically no publicity of the items of appropriation measures and the necessity therefor, at least, before they are enacted into law, the general public is deprived of the opportunity it should have of criticising any part of the financial program or of offering suggestions concerning it. Hence the term, "Invisible government."

During each regular session of the legislature, there are from fifty to seventy-five appropriation measures enacted into laws. At the last session there were over eighty such laws enacted. Few of those measures are given sufficient publicity as to their necessity, previous to their enactment, and the discussions concerning them are usually heard behind the closed doors of the committee room, wherein is generally found only those advocates directly interested in getting all the money they can for the particular activities of the state government they represent. We dare say that not one-sixteenth of one per cent of the general public have any knowledge of what those appropriation measures contain previous to their enactment, and only slight knowledge thereafter. The reason is the miserable unbusiness-like system we have of financing the

state government. Under its operation, the people are afforded practically no opportunity for gaining the knowledge concerning proposed appropriations essential to an intelligent understanding of actual financial needs.

One of the weakest and most unsatisfactory features of our present fiscal system is the manner in which many of our governmental activities are financed from the general fund. This fund is provided for by what is known as the "General Purpose Bill" and is augmented by certain revenues derived from sources other than direct taxation. It is from this fund that the ordinary expenses of the state government, such as departmental salaries and expenses, salaries and expenses of the judiciary, legislative expenses, etc., are paid. The general purpose bill, enacted by the last legislature, appropriated money for seventy-eight distinct purposes without naming them in the bill. There was no itemization of contemplated expenditures under these appropriations furnished the legislature so that it could act intelligently in regard to them, everything being done by the lump-sum method. The total of the general purpose bill for the biennial period of 1917-1918 amounted to \$2,898,305.00, for which a direct tax was levied on the general properties of the state, \$1,575,480.00 of which amount was levied in 1917 and \$1,322,825.00 in 1918. These two amounts were appropriated in lump sums with the appropriating body, other than the members of the finance committees, having only meager knowledge as to the actual necessity therefor or the purposes for which the money is to be expended. Furthermore, under this system of appropriating and spending the people's money, the general public gets very little information concerning the fiscal activities covered by the general fund. This condition of our fiscal affairs ought not to be. The people have a right to know, and they should be furnished the means of knowing, in detail, the purposes of proposed expenditures before they are authorized, so that they may be able, through their representatives in the legislature, to effectively control the public purse. The general fund as at present constituted and controlled is the official money grab-bag of the state. It has been a common practice for various functionaries to present money bills to the legislature without any tax clause so that the disbursement might be made from the general fund and thus smother opportunity for the public to readily ascertain actual cost of operation. Furthermore, some of the departments receiving appropriations for their support also draw upon the general fund for a part of their expenses, thus making it exceedingly difficult for the general public to ascertain what the total expense of conducting such departments is. The present methods of appropriating to, and disbursing from, the general fund were wrong in their conception, promote waste and extravagance, and breed inefficiency in the conduct of the government. It is no wonder, therefore, that there has developed during recent years a strong public sentiment for a change in our financial methods by way of a comprehensive budget system.

Publicity being the keynote of a well constructed budget system of ascertaining the financial needs of government and of appropriating and controlling public moneys, "invisible government" under its operation cannot exist. The general public will know the whys and the wherefores of all demands on the public treasury as soon as the legislature convenes in session, as will also each member of the legislature. There will no

longer be good reason for public criticism of state governmental costs, because the people will be afforded ample opportunity for examination and study of budget estimates, enabling them to intelligently express their opinion concerning them and, through their representatives in the legislature, to effect a much more efficient control over the public purse.

Under the budget system, money will be appropriated by definite and comprehensible segregation according to governmental functions and objects of expenditures. Appropriations will not be made largely upon guesswork, as at present, but upon the actual needs of each activity of the government determined by expert investigations, followed by carefully prepared comparative data in relation thereto.

The plan is to require each institution, department and office of the state government to furnish on appropriate forms, which will be sent to them, a detailed estimate of financial needs for the ensuing biennial fiscal period, together with anticipated income; also, for comparative purposes, a detailed statement of past expenditures and income, and of its present financial condition. These estimates of financial needs will be subject to revision by a centralized authority, and, before final action is taken, there will be public hearings in regard to them. Following final revision, a statement, or budget, will be prepared showing the estimated amounts required for the conduct of the state government in all its departments, institutions, boards, commissions and offices for each year of the biennial fiscal period next ensuing; an estimate of the revenues of the state, and the sources thereof, for the same period; the expenditures, including bills due and unpaid, and revenues during the first year of the current biennial fiscal period and also for each year of the next preceding biennial fiscal period; an estimate of the amount needed for emergency purposes, the amount needed to pay and discharge such principal and interest of the state debt as may become due, together with such other data relating to fiscal conditions as will serve to furnish the legislature and the general public with a complete understandable statement of the actual financial needs of our state government in all of its activities, and of its present financial condition.

The books and accounts, and the general affairs, of each state department, institution, board, commission and office will be subject to examination at any time for the purpose of ascertaining facts relating to the budget, and for the purpose of making recommendations to the legislature relative to the degree of efficiency and economy in which they are being conducted.

The cash receipts of all branches of the state government, from whatever source derived, will be required to be turned into the state treasury on or before the first day of each month following receipt or collection. Exceptions will have to be made in the case of certain revenues derived by two or three of our educational institutions from sources other than from specific appropriations, over which revenues, because of constitutional inhibition and federal grants, the state has limited control.

No money will be disbursed from the state treasury unless specifically authorized by law, and then only upon warrant of the Auditor General, for the purpose, or purposes, named in the governing statute. Furthermore, no money will be disbursed from the state treasury in excess of the amount appropriated for each activity of the state government, and

no money appropriated for a specific purpose will be permitted to be transferred and used for any other purpose without the written approval of the budget commission.

State institutions will not be permitted to draw large sums from the state treasury, not necessary for their immediate needs, and deposit the money in local banks, some of which draws interest and some does not. Whenever a state institution shall be in need of funds, it will be required to make request therefor to the Auditor General, who, if satisfactory showing is made that the funds requested are actually needed, will draw his warrant for the amount requested, which amount will then be credited to the appropriation account of the institution making the request. The amount so credited will then be subject to withdrawal from the state treasury by appropriate voucher checks signed by the executive officer, or officers, of the institution. All funds so drawn must be used strictly for the purpose, or purposes, for which appropriated, and in accordance with the requirements of the accounting laws of the state. Each institution will be permitted to establish and maintain a petty cash account to the extent of five hundred dollars, and no more.

It is pertinent to remark that on the first day of October, nineteen hundred seventeen, over seven hundred thousand dollars of state funds were in the hands of the treasurers of the various state institutions.

It will readily be seen that, under such a system as outlined, not only will the financial needs of the government be ascertained by scientific methods, which spell accuracy, but the revenues of the state will be deposited in the state treasury to be paid out only in pursuance of appropriations made by law, and in such amounts as may be actually needed, from time to time, for the proper conduct of the several activities of the state government. State sub-treasuries will no longer exist. There will be a central (state) treasury in fact as well as in name, and all financial transactions of the state government will pass through the state treasury in accordance with a sound business practice.

There is now confusion and lack of uniformity, and of modern business methods, in the manner in which the financial business of the state is transacted, resulting in the door being left open to governmental dissipation.

State funds are often drawn from the state treasury in large amounts and expended in contravention of a sound business policy.

Bills for expenses, in several instances, are paid directly by the offices incurring them without audit by, and approval of, the auditing department of the state. Some offices pay their expenses from fees collected and forward unexpended balances, if there are any, to the state treasury. Several of the offices collect a large amount of fees which are deposited to their credit and for their use. Their bills, however, go through the proper channels before payment requiring the approval of the Auditor General or the Board of State Auditors. At least one state commission draws its entire appropriation from the state treasury and pays its own bills, the unexpended balance, if any, being returned to the state, together with a report of expenditures, at the end of each year. State institutions pay their bills directly from appropriated funds which they draw periodically from the state treasury. After payment, an itemized statement of expenditures is sent to the Auditor General.

One of the principal causes of the growing popular sentiment for a

change from our present loose method of financing our state government to a scientific budget system is, undoubtedly, the large increase in the cost of our state government during the last decade. During that period, our tax levies have been increasing by leaps and bounds until, today, the people are groaning under the burden. In 1908 our tax levy for state government purposes amounted to \$4,252,923.00, and this year (1918) the levy will be over \$9,000,000.00, an increase of 114 per cent for the ten-year period. This is a much larger percentage of increase than we have experienced in population, or in wealth. It is true that the assessed valuation of the state increased 140 per cent during the ten-year period ending with 1917. This increase in assessed valuation, however, does not mean that there has been a similar increase in taxable wealth. A large portion of it is the result of increases in the percentages of assessments, rather than as a result of actual increase in properties, or property values. It is well known that ten years ago the average ratio of the assessed value of the general properties of the state to their actual value was about 60 per cent, while now the tax commission reports that assessments are being made on a full value basis.

Estimating our population at the present time to be 3,750,000—and Michigan's most optimistic dreamer will hardly say we have more inhabitants than that—the tax per capita for state purposes increased 59 per cent during the last ten years, the state tax per capita being \$1.51 in 1908 and \$2.40 in 1918. The increase in population during the same period was about 30 per cent.

It should be said, however, that the principal causes of this increase in the cost of government result largely from

- First, The increased demands of the people for new things;
- Second, The increased costs of all items purchased and used by the state in the conduct of its business;
- Third, The natural growth of the state's business in common with the growth of private industries; and
- Fourth, The creation of new institutions and new offices and the increasing of the powers and duties of the old offices.

This increase in the cost of government, however, calls for a revision of our financial methods and the highest degree of efficiency in conducting the business of government. Governmental costs have increased so rapidly during the last decade and have reached to such an amount as to stagger those who have to bear the burden. The utmost care will have to be exercised and improved financial methods followed in the conduct of our government, if we hope to keep our future expenditures within the limit of reasonable taxation. Waste and extravagance must be prevented and all unnecessary demands upon the public treasury detected and stopped.

That this can best be done effectively by the establishment of a budget system to govern our fiscal activities is beyond question. It is almost universally recognized that a budget system is essential to efficient and effective administration of public financial activities. Its effect would be to prevent waste and extravagance, to stop unnecessary expenditures, to give the fullest publicity to all our fiscal activities, without which publicity there can be nothing like an adequate public control over expenditures, and to substitute order for disorder in the manner of financing our state government. In every country, in every state, and in every

municipality having a budget in operation, it has proven to be the most effective agency for the promotion of efficiency and economy in the conduct of government and, furthermore, it furnishes the people the means of readily ascertaining what has been accomplished by the government for money spent and for what purposes money requested for the next biennium is to be used. Under its operation public servants are forced to a strict accountability of their stewardships. As well said by President Taft's commission on efficiency and economy, "a budget is an effective means whereby the government may be kept in constant adjustment with the welfare needs of the people; a means whereby the economy and efficiency of administration may be regularly brought to a test."

The trend everywhere is toward scientific budget making to take the place of the "hit-and-miss" method of appropriating public moneys which, up to a few years ago, was followed in nearly all the states. During the last decade the following states have adopted a budget system: New York, New Jersey, Connecticut, Massachusetts, Maine, Vermont, Ohio, Illinois, Wisconsin, Minnesota, North Dakota, South Dakota, Iowa, Nebraska, Oklahoma, Utah, Washington, Oregon, California, Arizona, New Mexico, Texas, Florida, Virginia and Maryland. In none of these states is there any desire to return to the old system of financing their respective governments.

Of the states named, the commission visited, for the purpose of investigation and study, New York, Ohio, Illinois, Wisconsin and Maryland. These particular states were selected either because of the special progress they have made in their fiscal organization or of their presenting problems similar to those in our own state. Visits were also made to the city of Baltimore, in which a well organized budget plan is in operation. Much valuable information was gained by the commission by these visitations, not only at the time of the visit, but also subsequently by correspondence.

Of the states visited, the state of Illinois has gone much farther in remodeling its administrative system of government than any other state in the union. The change in the state administrative system in the state of Illinois came about primarily as a result of an exhaustive survey of the state government made by a very able commission. The Governor of Illinois, Honorable Frank O. Lowden, using the report of the commission as a basis, submitted to the legislature of that state a bill providing for a new civil administrative code which was enacted into law. Under the provisions of this law, the government of Illinois, with the exception of certain temporary boards and commissions of quasi-judicial or quasi-legislative character, has been consolidated into nine divisions, with a director at the head of each division. These divisions are Finance, Trade and Commerce, Public Welfare, Public Works, Labor, Mines and Minerals, Agriculture, Public Health, and Legislation and Administration. These nine divisions do the work now which formerly was done by something like one hundred and twenty-five independent agencies of the state government. We are advised by the administrative officers of that state that the new system is proving a success.

The following excerpts relative to the operation of the budget system in some of the states named may be of interest:

"Having operated the state financial system on the budget plan since 1913, I do not know how we could properly manage without it. The expenditures

of the state are placed upon a scientific basis, through which untold saving has resulted. The legislative finance committees have for their guidance the carefully estimated needs of all departments before any appropriation is made, and each appropriation is made for a specific purpose. Each year indicates refinements to the system now employed. At the last session of the General Assembly, we found the personal presentation of the state's financial needs a most helpful thing."—Governor James M. Cox, Ohio.

"The budget recommendations of the State Board of Control and the Controller, presented to the legislature, as a study of the needs of the state departments and institutions, have been of benefit in that they present figures founded upon necessity and eliminating the old hit-and-miss system and likewise the old system of asking for an appropriation many thousands of dollars in excess of the amount hoped to be received."—Marshall DeMotts, Chairman, State Board of Control, California.

"It would be a long story to tell you why we adopted the Executive Budget System for Maryland. Briefly, we found that a budget prepared by the Governor after hearing from the different departments could be more accurately and expertly prepared than one which is hurriedly prepared by a legislative body. It has worked finely in Maryland."—Governor Emerson C. Harrington, Maryland.

"The budget act here was adopted because of the realization of the inadequacy of check on public appropriations and expenditures under the old system, which left the appropriation bill until the last hour of the legislative session and its contents unknown to any but a few members of the legislature before final passage."—Governor W. E. Lindsey, New Mexico.

"The first budget used in this state was presented to the legislature of 1913. Prior to this time our fiscal affairs were in more or less of a chaotic state. In many instances no limits were placed upon the amount of money that departments might spend. Appropriations were scattered throughout our statutes and session laws. Appropriations were even duplicated, departments having as many as three appropriations for the same purpose.

"The budget plan has put the entire financial affairs of the state of Wisconsin upon a sound business basis. It enables the legislature to consider a department's needs in an intelligent way and requires the departments to present facts to back up their budget figures.

"The budget system has also done away with departmental lobbying. In previous years during the legislative session departmental work was more or less at a standstill until the necessary appropriation measures were enacted. Now, the departments pay no attention to the working of the legislature. They are called before the Finance Committee when their budgets are considered. After the Finance Committee has passed upon these, bills take the proper course in the legislature and require no departmental watching.

"Even though our total expenditures have increased from year to year, we feel that the budget system has resulted in a saving of money to the people of Wisconsin. We are today receiving more nearly a dollar's worth of services or supplies for every dollar expended than has been the case in times past."—Governor E. L. Phillipp, Wisconsin.

"Personally, I believe that a state organization ought to be operated under a budget system."—Governor Ernest Lister, Washington.

"I believe in the budget system to the extent that I would like to see it a part of our state constitution and made mandatory. Business government, where the estimates are made and are made with intelligence so that the estimated amount will be raised within a certain tax levy, renders efficiency and justice to the taxpayers."—Governor R. L. Williams, Oklahoma.

"Florida has always been practically under the budget system—that is to say, appropriations are made for a specified purpose which under the law and constitution cannot be exceeded. In this manner a limitation is placed upon the expenditures, of course, and very little is carried over to be met by deficiency appropriation. In 1915, the legislature, realizing the economical

benefits derived from the plan used by the state, required the counties to go upon a budget system. The law has worked very satisfactorily and while some few officials may object to it on account of a little more work in detail, yet, upon the whole, I am sure that no one would think of having it repealed."—Ernest Amos, Comptroller, Florida.

"Probably the feature of the budget system which commends itself most to the people of the state is the one by virtue of which it seeks to avoid all confusion and put the statistics of state finance in the open.

"I might write much more regarding this, but think the fact that no move has ever been made by either party or no suggestion by a responsible public official that the old system be returned is sufficient evidence of the approval of both parties.

"The system commends itself to conservatives and radicals alike, because at a small expense it enables them to know what is happening in regard to their public finances."—W. T. Donaldson, Budget Commissioner, Ohio.

"This is the second year of the budget policy and the first year under my supervision. The wisdom of the system cannot be disputed."—Governor Walter E. Edge, New Jersey, in his budget message.

"The budget is intended to help the people exercise, through their chosen representatives, the right to control the public purse, to determine what work shall be done by the state, and how much shall be paid for it."—Hon. Carl E. Milliken, Governor, Maine.

Dr. S. Gale Lowrie, Professor of Political Science, University of Cincinnati, and a well-known authority on budgetary procedure, says:

"There is no more important reform than the installation of an adequate budget system in our state governments. Only in this way can the affairs of government be conducted efficiently, economically and in a way to permit of an orderly development."

Professor A. R. Hatton, Western Reserve University, says:

"No single change would aid so largely to both democracy and efficiency as the introduction of proper budget methods."

We know of no political economist of repute who does not advocate a proper budget system of financing governments. Noted authorities on public finance are practically a unit in condemning the "log-rolling" system of voting away the people's money and in urging as a prime essential to efficient and economical government the adoption of modern budgetary procedure.

After a close study of our fiscal activities in Michigan and the fiscal activities in other states, we urgently recommend the enactment of a law providing for a comprehensive budget system for our state government. We have prepared a bill providing for such a system and for an adequate control of state funds, a copy of which bill is submitted herewith as a part of this report.

UNIFORM ACCOUNTING

Section eighteen, article ten, of the state constitution reads as follows:

"The legislature shall provide by law for the keeping of accounts by all state officials, boards and institutions, and by all county officials; and shall also provide for the supervision and audit thereof by competent state authority and for uniform reports of all public accounts to such authority. Such systems of account shall provide for accurate records of all financial and other transactions and for checks upon all receipts and disbursements of all such officials, boards, institutions and county officials. All public accounts and the audit thereof shall be public records and open to inspection."

Notwithstanding this mandate of the people contained in the constitution of 1908, it was not until 1911 that the legislature made any attempt to comply therewith and enact a uniform accounting law. During the legislative session of that year a strong effort was made to enact such a law that would apply to all state and county offices and to all state institutions. The bill was passed as introduced by the lower branch of the legislature but it was amended by the state senate in such a way as to make it of little use. The result is that our system of accounting is practically the same now as it was before the 1911 law was enacted.

That this system is wholly inadequate and unsatisfactory is conceded by everyone familiar with its operation. It was the weakness of the system that undoubtedly prompted the constitutional convention to embody the foregoing quoted mandatory provision in the state constitution, later adopted by popular vote of the people. There is an utter lack of uniformity in the present system and in only a few instances are accounts kept so as to show actual cost of operation. Indeed, under the present system of keeping accounts, it is impossible to ascertain, with any degree of accuracy, the actual cost of any department of the state government. To get at the approximate cost would be almost an endless task, necessitating the assorting and examination of numberless vouchers and the compilation therefrom of cost articles. It will be readily seen, therefore, that a comparison of actual costs for similar activities cannot now be accurately made. Few of the departments and offices have any regular bookkeeping accounts, the evidence of receipts and expenditures consisting largely of book memoranda, vouchers and voucher registers, and through many of these departments large sums of money pass every year.

Private business concerns rely upon their accounting systems to point out the weak spots in their operations; indeed, they will spend any amount of money necessary to perfect such an accounting system as will disclose expenditures reduced to unit costs and thereby obtain a correct analysis of operation that will enable them to stop all possible leaks. If such a system of accounting is a good system for private business, surely it would be a good system for public business. There is now more than seventy million dollars raised annually in Michigan by direct taxation and expended for governmental purposes. This vast sum of money comes from the pockets of the people and they have a right to know, with a reasonable degree of certainty, what is done with it. They are entitled to know of what the public income consists, how it is derived and disbursed and of the financial condition of every unit of government. They are entitled to the means of readily ascertaining facts capable of intelli-

gent comparison relative to governmental costs and the benefits received for money spent in similar activities. A uniform system of accounting will provide such means and it will also afford a means of making a comparative check of the relative efficiency and economy in the administration of all governmental functions. We dare say that no private business enterprise would think of adopting such a loose, unscientific system of keeping accounts as at present obtains in the various departments of the state government, and undoubtedly in many of the county governments, and, if any private business enterprise would adopt such a system, it certainly would not spell "success." Ordinary private business enterprises everywhere have adequate systems of bookkeeping and public business should be no exception to this rule.

It is believed that if an adequate system of accounts had been installed in the various public offices of our state that a large saving would have been made to the taxpaying public. This, we think, is evidenced from the fact that in nearly every county wherein expert examination of the records of county offices and accounts has been made a large sum of money has been recovered and turned back in the county treasuries that had been irregularly expended, these irregularities having been caused principally by the utter lack of a proper bookkeeping system. Furthermore, the repressive, or preventive, influence of a proper accounting system would result in much benefit to the general public. It is only through the keeping of a complete set of books, and the periodical examination thereof by an expert central authority, that the receipt and expenditure of public funds can be properly safeguarded. We do not hesitate to say that if such a provision is made by law no public servant will dare misuse public moneys or divert them from their proper channels. In short, an adequate, uniform system of accounting in public offices is one of the keystones to efficient and economical government and, therefore, it would not seem possible that opposition to its installation and operation should come from any source, and opposition will not develop except among those who follow the "public-be-damned" policy of conducting public business. Business men everywhere advocate—what they practice in their private business—an adequate system of accounting and sound business methods of conducting public business in all its various activities.

That public sentiment demands the installation and operation of a uniform system of accounting in the various institutions, departments and offices of the state and county governments is evidenced by the adoption of the provision of the constitution requiring it. Surely, therefore, the popular will of the people should no longer be ignored and the carrying out of this desirable mandate as contained in the constitution longer delayed.

Many of the states have a uniform system of accounting in operation, and in every instance it has proven a success and, from our investigation of the benefits derived in these states by the installation of uniform accounting, we believe the cost thereof is a mere "bagatelle" compared with the results obtained. For instance, in the state of Indiana for the fiscal year ending June 30th, 1917, as a result of the examinations made by the State Board of Accounts, there was a recovery of over \$100,000.00 in cash that had been irregularly and illegally expended by public offices, and, in addition, cases pending settlement aggregated nearly \$200,000.00, of which the accountants estimated that at least 70 per cent

would be collected; so that in one year nearly one quarter of a million dollars was recovered and turned back into the various government treasuries. Furthermore, a large sum of money was saved by the prevention of waste and extravagance. The Board of Accounts of that state estimated that there was a saving to the taxpaying public of over one quarter of a million dollars annually in the decrease of supplies purchased, as a result of the operation of the uniform accounting law of the state. Practically the same results have been obtained in Ohio, West Virginia, Washington, Iowa and other states having uniform accounting laws.

Of the beneficial results obtained in the state of Washington, the Chief Inspector of the Bureau of Inspection and Supervision of Public Offices in that state writes us as follows:

"The beneficial results in this state from our uniform system of accounting and periodical checks of the records cannot be measured in dollars and cents, because, by a uniform system of accounts of the same class, there is always a comparison between different cities and counties as to the moneys expended for the same size taxing districts, and in addition the officials, knowing that a check will be made, are usually on the alert to see that the records are not only kept properly, but that they are absolutely in balance, because, if they are not, they are held accountable for any shortage.

"A few public officials have been sent to the state penitentiary for shortages which has had a very good effect on those in office.

"It is safe to say that the passage of this act (uniform accounting law) was as important as any act passed by the legislature of the state of Washington."

In a communication on the operation of the uniform accounting law in the state of Indiana, following are excerpts from the report of the Chief Examiner of the Board of Accounts in Indiana:

"If we were asked to sum up in one sentence what is being accomplished by the State Board of Accounts, we would say—efficiency and economy in the administration of public affairs."

"The system has eliminated leakage and established accuracy."

"The recovery of misappropriated funds and the preventing effect of the law is not the only good accomplished; the elevating of the moral standard of official life, in Indiana, the establishing of public confidence in officials, the inspiration to office-holders to establish and maintain efficiency and economy in public affairs, are blessings beneficial to the public and the officials alike."

"A department organized for the purpose of conserving the public funds is at all times desirable, but at this critical period in our national life, when all the energies of government are directed to conserve the wealth of the country, in order that we may successfully cope with the forces arrayed against liberty and civilization, it is the most important factor in this state for spreading the propaganda of honesty, efficiency and economy."

Hon. G. H. Hendren, State Examiner of Indiana, in writing to this commission, says:

"Our Indiana accounting system has been giving the best of satisfaction and results—so much so that, after a thorough test, there are no changes we desire to make."

Hon. Victor Blue, who formerly had charge of the administration of the uniform accounting law in the state of West Virginia, in communicating on the results obtained from the operation of that law in his state, says:

"Where there was absolute chaos before the enactment of the uniform accounting law, there is now order, system and efficiency. The law has accomplished much good."

Hon. W. S. Hallanan, who now administers the accounting law in the state of West Virginia, in a recent letter to the commission relative to the operation of that law, says:

"This piece of legislation has proven, I think, to be the most wholesome of any legislation passed in this state in the last quarter of a century. Prior to enactment of this law, financial matters all over this state were in confusion. The direct result of the enforcement of the public accounting law has been to turn back into various funds thousands and thousands of dollars that had been wrongfully expended. Besides, we are now reaching a condition that anyone may at any time know, by little investigation, the condition of the financial affairs of any fiscal body."

The Auditor of the state of Iowa gives his opinion relative to the operation of the uniform accounting law in that state as follows:

"It is one of the best laws on the statutes of Iowa, and it has had a very salutary effect. Many thousands of dollars, ranging in amounts from a few dollars to several thousand dollars, have been returned to the county exchequers by the various officials who misappropriated county funds."

In advocating a unification of fiscal accounting, Hon. William H. Taft, during his incumbency of the office of President, said:

"I want to have figures that will enable me, like the manager of a big corporation, to send for one of the heads of a department and ask him why he is spending more money than another department chief for precisely the same article. I want to call attention to the fact that the expenses of a department are greater this year than last so that I can learn the reason for the increase."

We might continue to quote similar experiences relative to the successful operation of uniform accounting laws and of the large benefits obtained therefrom, but we do not think it is necessary to go any further into the matter. We have confidence in the good business sense of the legislature and that it will carry out the will of the people as expressed in the state constitution.

STATE PURCHASING

Under the present method of state purchasing, we have practically as many purchasing agents as we have institutions and departments of the state government, with the result that one department or institution buys supplies in ignorance of what another is doing along the same lines. Furthermore, there are no central records maintained showing the relative cost of supplies bought by the various departments and institutions, making it exceedingly difficult to make a comparison of the relative cost of the various things purchased by the different units of government. It will readily be seen how impossible it is under such a decentralization of buying to fix responsibility for waste and extravagance. There really is no order or system in the present method of purchasing supplies by the state government. Supplies of the same kind and quality oftentimes are bought at the same time by various institutions and departments, at varying prices, these supplies being largely bought in the open market which means retail rather than wholesale prices. There being very little standardization of things bought by the state, everybody buys just what

he likes and as much as he likes without any check upon waste and extravagance.

Where such a condition exists in the purchasing system of any government, the door to dissipation of the people's money is left wide open. The cure for this condition is the establishment of a central purchasing department such as is maintained by large industrial enterprises everywhere. It is only through purchases made by a central authority that the state can obtain the lowest possible prices, because centralized buying would mean large quantities, and it is a fundamental principle of supply and demand that the larger the quantity purchased the lower the price. It stands to reason that flour, for instance, contracted for at one time for the institutions of the state could be obtained at a much lower price than if it were bought by twenty-five different agencies and at as many different periods. Everything used by all departments and institutions for the same purpose should be purchased at one time under contract entered into subsequent to competitive bidding. Not only would this result in lower prices, but it would result in a considerable saving of money in the lessening of the number of vouchers and the work entailed in auditing them and, furthermore, it would make it comparatively easy to make an analysis of the relative cost of everything which goes into the various institutions and departments of the state government. Under the present system of purchasing this is almost impossible of accomplishment. Under a centralized system gross quantities would be bought under a single contract, whereas, now the purchases are made upon a number of different contracts and at widely varying prices. A centralized purchasing agency would result in an audit of proposed expenditures for supplies before such expenditures are made, whereas, under the present method of purchasing, the money is often spent and goods delivered before an audit can be made. This surely is a most unwise way of conducting the purchasing end of the state's business and, in justice to the taxpaying public of the state, it should be remedied. It is our belief that a properly conducted central agency for the purpose of purchasing state supplies would result in a large saving to the taxpayers of the state and in getting better quality for money expended. This has been the result in every state and in every city wherein a central purchasing agency has been in operation.

It is true that since 1912 there has been some improvement in the purchases made by the state institutions. At that time there was organized what is known as the "State Institutional Buyers' Association," consisting of the executive heads and the stewards of the state institutions. Through this association there has been more or less of a standardization of things purchased by the institutions, schedules made up of various requirements and a portion thereof purchased under contract, following competitive bidding. The result of the work of this association has undoubtedly been a considerable saving of money in the purchases made. This, we think, is acknowledged by those active in the work of the association. If such is the case and the little unification of purchases made by the association is a success, then surely a larger unification, embodying all the activities of the state government, would be a still greater success and result in a much larger saving of money. The principal object of the organization of the association was to centralize purchasing; and we have no complaint to make of the good work of the

association in that direction. However, there is room for improvement as is evidenced by the fact that not more than 25 per cent of the purchases made by the institutions of the state were made last year through the Institutional Buyers' Association. It has been suggested that, if a law were enacted making it compulsory for all the institutions to make their purchases through that association, much better results would be obtained. Be that as it may, there is no good reason why a central purchasing agency should not be established to embrace all activities of the state government. The Institutional Buyers' Association is an improvement over past methods, is good so far as it goes, but certainly does not go far enough. When it is considered that many millions of dollars of the people's money are spent annually by the state for supplies of various kinds, it will be appreciated how essential it is that the utmost care be exercised in purchasing these supplies and the most up-to-date system of purchasing maintained—a system that would make possible the stoppage of all waste and extravagance. We believe that in no other way can the highest degree of efficiency be maintained in purchasing supplies for the state government than by a centralization of control.

It is perhaps needless to say that large private business enterprises are founded on the principle of centralization and that their purchases are all made through one agency. Why should not the same principle of purchasing be followed in public business as in private business? The only excuse there can be for not doing so is that, by the establishment of a central purchasing department, those who now exercise the privilege of buying for the state would be deprived of their powers in this direction. However, it is not believed that it is good business, or a correct policy, for the state to follow, to satisfy the yearning for authority, in a matter of this kind when to do so would be at the expense of the people of the state. "Correct business" should be the aim of every public servant and not the continual reaching out for more and more authority irrespective of the public welfare. If central purchasing is a good thing—and we believe it is—there is no good sense in longer delaying its establishment simply because a few public servants will be deprived of a little authority.

A large number of the states have a centralized purchasing system, namely: Alabama, Arizona, California, Delaware, Florida, Georgia, Indiana, Illinois, Iowa, Kansas, Minnesota, Nebraska, New Hampshire, New Jersey, North Dakota, Ohio, Oregon, South Dakota, Tennessee, Texas, Vermont, Virginia, West Virginia and Wisconsin. Several other states have a partially centralized system, and the executive officers of other states are advocating the enactment of laws providing for such a system. The trend everywhere is toward a centralization in the making of purchases by governments.

The state of New York at this writing is conducting an investigation of purchasing systems with the object in view of establishing a central agency in that state. The Chamber of Commerce of the state of New York, at a meeting held the early part of this year, unanimously adopted a resolution calling for the enactment of a law to consolidate the purchases of all supplies for the state in the hands of a central authority. Two of the paragraphs of said resolution we quote as follows:

"Whereas, The state of New York has over 165 boards, commissions and other departments, each buying its own supplies, involving needless duplica-

tion in printing, advertising and distribution of proposals in the preparation and execution of contracts; and,

"Whereas, The consolidation of purchases under the control of a single central buying agency would eliminate needless duplication; would enable purchases to be made in wholesale instead of retail quantities as is often now the case; would result in a material saving on the part of the state in its expenditures for supplies; and would bring about many obvious economies;"

Such a resolution, coming from the leading business men from the various parts of the state of New York, constitutes a recommendation that can hardly be ignored by anyone having good business sense. Business men everywhere are practically a unit in advocating the centralization of authority to make purchases into one agency. Having, by experience in the conduct of big private business, seen the benefits obtained from such a centralization, they are now advocating the same system of purchasing for public business. Many of these men are captains of industry, contribute large sums of money toward the support of government and consequently are deeply interested in the conduct of public business and the establishment and operation of the most efficient and economical system of conducting government.

In our correspondence with the various states having a central purchasing system, we find that large sums of money have been saved by the operation of such a system. There has also been more efficient service and a better quality of goods. Following are a few excerpts from some of this correspondence:

George Leavy, State Purchasing Agent of the state of Texas, says:

"The chief argument we have is that the total amount of all institutions in Texas aggregates so much that we make all our purchases from either the manufacturer or the jobber, thereby saving profit that is made by the smaller concerns. Last year we purchased fifteen thousand barrels of flour at \$5.40 per barrel which was \$13.00 per barrel before the contract expired. On thousands of other articles the profit was nearly as much. We saved at least 33 $\frac{1}{4}$ per cent on dry goods, 40 per cent on groceries and in some instances as much as 150 per cent on hardware and steel.

"We find merchandise that is suitable for one asylum is proper in every way for the other. Merchandise used for one normal school is practically what is needed in the other state normals, and likewise in hardware and other lines of merchandise."

Governor Goodrich of Indiana says:

"By an act of the last General Assembly, a purchasing committee was authorized. Under the direction of this committee, they have standardized all supplies and are working upon a plan through the committee to centralize the purchase of all staple products in the hands of a single person or a committee of three. I am quite certain that one thoroughly competent business man, with authority to purchase all the supplies for all the state needs, could buy much cheaper than could a number of separate boards, or even a committee of three."

The Purchasing Agent of the state of Minnesota writes:

"Experience of the period covering the centralized purchasing for institutions has demonstrated beyond the shadow of a doubt the great saving effected by means of such purchases."

Governor Lindsey of New Mexico writes:

"I am very much in favor of a purchasing board, or rather a single purchasing agent, empowered to make all purchases for the state."

Hon. John S. Denton, President of the Tennessee Board of Control, says:

"Our purchasing department advertises and solicits bids monthly for the wanted articles for current use and advertises for proposals to fill yearly contracts on such commodities as we find it desirable to buy for that or a shorter period. This system has worked to the great financial advantage of the state and its institutions.

"Under the old system the trustees of each institution either appointed a purchasing agent or designated someone connected with the institution to buy supplies. The purchases were made from local dealers and in many cases from favorite dealers, generally at retail prices, and, as a result, the state not only paid higher prices for practically everything it used in the institutions, but the goods were generally of inferior quality. We unhesitatingly recommend the centralized purchasing board or system for all state institutions."

Governor Edge of New Jersey says:

"I most emphatically approve of a central purchasing system for all state supplies. In fact, when a member of the legislature, I introduced and sponsored a bill which resulted in the installation of the central purchasing system in New Jersey, and that system, after an experience of several years, is proving very successful indeed."

The Board of Control of State Institutions of North Dakota writes as follows:

"Our system of purchase allows us to show the greatest maximum of business and has permitted us to make our contracts with the very best houses, which has resulted in obtaining close prices on goods wanted at our small institutions as well as at large ones. We believe fully that a central body can make a distinct saving in your purchases as combining all your wants in one line, under one cover, will make the business you have to offer attractive to any house."

Mr. W. G. McMillin, Purchasing Agent of the state of California, says:

"By comparing market quotations and market conditions with the result secured by our purchasing department, we are able to show marked saving in expenditures, and the very fact of the unusual business conditions existing and the scarcity of supplies in many lines has shown a greater need for a central purchasing department for the securing of those supplies."

The Oregon State Board of Control says:

"Before this board was organized, our institutions were paying retail prices for a great deal of their merchandise. Under the present system, we are recognized the same as the large dealers and secure prices accordingly, therefore, have saved the state thousands of dollars."

Mr. Charles B. Christy, Secretary to the Commission of State Institutions of the state of Arizona, writes us as follows:

"Our commission, organized and authorized by the last legislature, believe that a central purchasing board or agent system is far preferable; that the most economical method of handling can be observed by putting this into the hands of a central board who will not only avail themselves of best

prices possible on account of purchasing in quantities, but will also scan and question extravagance in purchasing."

Governor Bilbo of Mississippi says:

"I believe that a central purchasing board ought to work well and it honest, conscientious and first-rate business men could be selected, I believe it would result in money saved."

We might continue these quotations from states having had experience in central purchasing, all of which speak of its operation with high favor.

Last fall the commission visited Washington for the purpose of studying the purchasing system inaugurated by the Navy Department. Under this system, the purchases of everything used by the Navy are made by a central authority. The Paymaster General of the Navy, Admiral McGowan, has direct supervision over the purchasing department. When it is considered that this department of the United States Government purchases every month supplies and equipment amounting to many millions of dollars, its magnitude will be appreciated. Of the success of the new system we can do no better than quote from Admiral McGowan's report for 1917, as follows:

"If the principle of centralized purchasing for the naval system needs any justification, the developments of the few months since the war began would amply furnish it."

This purchasing division of the United States Navy Department has been brought up to the highest degree of efficiency, resulting not only in quick buying of supplies of better quality and grades, but also at lower prices than obtained prior to the inauguration of the system. The success of the centralization of authority to purchase by the Navy Department has prompted the government to move for a similar system in other departments in Washington. We understand that the War Department has recently inaugurated a similar system. Under this system of centralization, everything needed by the Navy Department is standardized by experts who also pass upon all requests for supplies, all purchases being made in accordance with these standards expressly specified. The department keeps a classified index of all manufacturers, wholesalers and jobbers who manufacture or deal in supplies used by the Navy Department. When the Navy is in need of any supplies, notice is sent to each of these concerns requesting bids; and there is also a public advertisement calling for bids. These bids come in under seal, are deposited in a container, which is kept locked until the specified time for opening bids has been reached, and at the specified time these bids are taken from the container and publicly opened, anyone interested being given the opportunity of witnessing the opening of the bids. A force of clerks are on hand to make proper tabulation of the bids on appropriate forms as fast as such bids are opened, so that almost immediately upon the close of the opening of the bids it is known who are the lowest bidders for the various classes of supplies called for. Everything is purchased under contract and the successful bidder is required to give a bond for the faithful performance of his contract.

There does not seem to be any good reason why the state of Michigan should not make its purchases by a similar system. Our state buying runs into many millions of dollars every year; and this money is mostly

derived from direct taxation, coming from the pocketbooks of the people. The people, therefore, are entitled to the consideration of having all supplies purchased by the state in the most systematic and economical manner.

As a result of our investigation and study of the purchasing problem, we unhesitatingly recommend the enactment of a law providing for the establishment of a central purchasing department, charged with the duty of purchasing all supplies required for the proper conduct of the various activities of the state government. This department should be headed by an officer to be designated "State Purchasing Agent," to be appointed either by the Governor or by the Board of State Auditors, preferably by the former as the executive head of the state government and in whom would be fixed the direct responsibility for the proper conduct of the department. In case it should be decided that the Board of State Auditors should make the appointment, then it should be provided that the purchasing should be done under the supervision of said board through its purchasing agent. We do not believe that any law providing such a department should contain too many rules and regulations covering state purchasing, but that the authority to make such rules and regulations should be delegated to the purchasing department. The powers of the department should be broad and not restrictive. It will be appreciated how essential this is to the success of central purchasing because of the constantly changing market conditions.

In order that the state purchasing agent may receive the benefit of the knowledge gained by the purchasing agents of the state institutions in making purchases and their knowledge of the needs of such institutions, we recommend that the steward of every institution—or, where there is no steward, the executive head of each institution—constitute an advisory council to the central purchasing agent, and that this council be required to meet periodically with the purchasing agent for the purpose of consultation relative to the work of the purchasing agent's department.

STATE PRINTING

The annual cost of state printing has grown to be quite a sum of money. Last year there was expended by the state \$162,461.00 for publications, consisting of books, reports and bulletins. In addition there was a large sum of money expended for job printing, stationery, cards, blanks, etc. With an efficient system for the control of this printing, the cost would not have exceeded two-thirds of the amount expended last year. Many of the reports published by the state contain a mass of material of little or no use to the general public and are scarcely ever read by anyone. Instead of publishing concise statements of activities and compiling and publishing statistics, in classified aggregates, the utmost detail is resorted to. This necessitates, of course, a very large amount of clerical work which, added to the cost of printing, binding and paper, amounts to a large sum of money that is absolutely wasted. There is hardly a report published by the state that could not be condensed to one-half of its present size and in consequence would be of much more value to the public and would be read and studied by a much larger number of our people.

Furthermore, most of these reports are belated reports, some of them containing statistical and other information gathered two or three years before being presented to the public. One report recently came to our notice which was issued the early part of 1917 and contains statistics for the year of 1914. The publication of such a report is extremely reprehensible. A statistical report must be recent to be of any value. Reports that are published two or three years after they become due constitute a waste of public funds.

Much blame undoubtedly rests with the state printer for the lateness of many of our state publications. It seems that other than state printing is given precedence in a great many instances with the result that state printing oftentimes has to wait so long that the delay becomes exasperating to the executive heads of the state departments. It is suggested that some way be found for penalizing the state printer for failure to deliver state documents within a reasonable prescribed period.

Another thing, there are altogether too many copies of state publications printed and distributed. This is evidenced by the large number of volumes of different kinds of publications that have been sold for waste paper. In 1916, twenty-eight tons of the compiled laws of 1897 were sold for waste paper, for which the state received \$31.00 a ton, or a fraction more than 23 cents for each set of the laws. Each set of these laws cost the state approximately \$5.00, so that there resulted an absolute waste of over \$17,000.00 in the over-publication of these laws. There is the utmost recklessness in the method of publishing and distributing state publications. Reports and other documents are sent out indiscriminately without any knowledge as to whether they are wanted by the people. For instance, a county clerk recently reported to the Budget Commission that he had just sold two tons of state publications for waste paper, there having been but few requests from the people in the county for such publications.

Surely, it is time that something be done toward stopping this waste of public funds incident to our state printing. We, therefore, urgently recommend that a law be enacted providing for a director of state publications. This director should be the Board of State Auditors, who in turn should be directed to appoint a state supervisor of printing. Said director of publications should be clothed with general supervisory powers over the printing and distribution of all publications relating to the activities of the state government. The director should be given authority to prescribe the form and extent of all reports and other publications of each department, institution, board, commission and office of this state; should determine the number of pages to which any such publication may extend and also the kind of paper and binding to be used in such publications. The enactment of such a law, we are quite sure, would result in a large saving of money to the taxpayers of the state, and would also result in the publication of reports, etc., that would be readable and of more value, and in eliminating entirely the publication of those which are of little or no value to the public.

It has been suggested to us that the state engage in the business of printing on its own account rather than by private contract. We are not prepared to say that this would be the best thing for the state to do at this time. We believe, however, that if it can be done without violating the provisions of the constitution, the Industrial School for Boys and

the State Prison at Jackson might print most, if not all, the stationery and blank forms used by the state, leaving only book printing and binding to be done under private contract. This, we think, is a matter that might well receive consideration at the hands of the next legislature.

STATE INSTITUTIONS

All the state institutions have been visited at least once by the commission, or certain members thereof, and a close study made of administrative matters. We found that the administrative affairs of nearly all the institutions are being conducted by men of high character and ability and, in many cases, the personal services of these men are being given to the state at considerable sacrifice.

With the exception of special criticism of the Industrial School for Boys at Lansing, and the State Prison at Jackson, the only criticism we have to make relates to the purchasing and accounting systems. To these features we have called attention in other parts of this report.

Industrial School for Boys:

We regret to say that conditions at the Industrial School for Boys are far from satisfactory. We do not mean by that to reflect on the administrative officers. The present Superintendent we believe to be an efficient man, and it is no fault of his, nor of the Board of Control, to any great extent, that the present condition of affairs is unsatisfactory. In our investigation of the school, we found, among other things, that a large number of the boys sleep on the third floor of the cottages, where there are no fire escapes, and where there are far from adequate sanitary arrangements. The exit from these floors is by way of a narrow stairway, in some cottages two narrow stairways, and these stairways are very steep. In case of fire, there does not seem any possibility of escape for these boys. Furthermore, no arrangements have been made for furnishing these boys with drinking water. We were told by the Superintendent that when these boys wanted a drink of water they usually dipped it out of the flush box of the toilet. Sometimes during the hot weather of summer they would carry water up in pails. It is also to be noted that these boys are not furnished with night shirts in which to sleep. The bathing facilities are inadequate and unsanitary. The only way the boys can bathe is to stand under an irrigation pipe in the basement of the cottages, which is also the place where they wash their face and hands. That these boys should be thus treated, it seems to us, is anything but creditable to the state. Surely, the institution should be furnished with sufficient funds to remedy these conditions; and this should be done forthwith. These boys are human beings and it should be the policy of the state in sending them to the school to use every endeavor to build character in these boys and not place around them such conditions as will induce them to return to waywardness after they are discharged from the school. The present conditions at the school are such as to offer every inducement for sex perversion, and from what we have learned, from our investigation, there is considerable of this carried on. Surely the state should take whatever steps may be necessary to better these conditions in order that these boys may be taken care of in such a way as to make

them better boys and not worse boys than before they were sent there.

Referring to the neglect to furnish fire escapes, it is pertinent to remark that the state employs inspectors who travel around the state all the time to see that public buildings are furnished with adequate fire escapes and where it is not done the owners of these buildings are punished as provided by law; and, at the same time, we have a state institution, almost under the dome of the capitol building, without any fire escapes, where there are on an average about eight hundred boys kept for corrective and educational purposes.

State Prison, Jackson:

A great deal has appeared in the press from time to time relative to the supposedly efficient manner in which the affairs of the State Prison have been administered, particular reference being made to the claim that the prison has not for some years cost the taxpayers any money; in other words, that it has been a self-sustaining institution. In our criticism of this claim, we desire that it be strictly understood that we are not interested in the least in present or past political squabbles concerning it. We believe, however, that it is our duty to bring the facts before the people as we find them. It is true that the profit and loss statement issued by the prison authorities shows a profit; but this profit has been based on the current expense account of the prison only and not on the total moneys involved in its operation. All moneys from whatever source derived by the State Prison should have been carried into the profit and loss statement in proper accounting form. If this had been done, the profit and loss statement would have shown a much different result. Furthermore, in its mad rush to make a showing of earnings, the buildings and equipment of the prison have been permitted to deteriorate to such an extent that it will take a very large sum of money to place them in proper condition. This certainly is anything but creditable to the administrative officers of the prison. Not only so, but a considerable portion of the so-called earnings of the prison was the result of appreciation in the value of materials and was not derived from actual operation of industries.

After all, the making of money by the State Prison, or any other prison, should be a secondary consideration; the first consideration should be to build character in the men confined there and to place them at such work as would enable them, upon their discharge, to go into society and earn an honest living. In this connection, it is pertinent to say that the binder twine industry at the State Prison, while a success as a money-maker, is not a success from a vocational standpoint. We understand that there are practically no private concerns engaged in the manufacture of binder twine; so that when a prisoner leaves the prison, after several years of work in the binder twine plant, he has learned nothing that will be of any use to him and, therefore, he is more than likely to return to his old ways of living. It might well be the policy of the state to pay a little more attention to the welfare of these prisoners who some day will go back into society than to pay so much attention to the art of money-making.

The accounting system at the prison, until recently, was unsatisfactory. We are glad to say, however, that an improved system of accounting has recently been installed by a firm of expert accountants. We are also

glad to say that the present management is evidently making an earnest effort to better conditions generally.

We desire to call special attention to the fact that under the law the Warden and Board of Control can pledge the property of the prison as security for loans and that this is being done right along. Hundreds of thousands of dollars are frequently borrowed in this way, this money usually being secured from a New York bank. We think this a very unsatisfactory fiscal policy for the state to follow. If Jackson Prison should need money for the operation of its industries, it should be supplied by the state and not by a New York bank to whom the prison authorities have to pay over 6 per cent interest for money. As a matter of fact, so far as finances are concerned, the State Prison is a little government unto itself. It is anything but good business for any agency of the state to be permitted to pledge the property of the state as security for loans and the law authorizing it should, in our opinion, be repealed immediately.

Attention is also called to the wholly inadequate fire protection at the prison. The character of much of the material stored at the prison is such that a fire is very liable to start at any time from spontaneous combustion. We refer particularly to the large quantity of sisal stored at the prison, the value of which usually runs into several hundred thousand dollars. There is practically no fire protection except that which might possibly be furnished by the city of Jackson. The prison should forthwith be fully equipped with the necessary apparatus to successfully protect the property of the prison from destruction by fire. It is pertinent to remark that only a few years ago fire at the prison destroyed seventy-five thousand dollars' worth of sisal, much of which could have been saved had the prison been properly equipped to meet such an emergency.

College of Mines:

The conditions at the College of Mines are somewhat of a problem. This college is being splendidly conducted and the graduates it turns out are in much demand as mining engineers. However, the per capita cost of maintaining the college is large as is also the amount of money invested by the state in the college. The number of pupils is very small and the number of instructors proportionately large. It has occurred to us that a part of this school might be used for vocational training, in addition to teaching mining engineering. The Superintendent of Public Instruction has assured us that there is much demand in the state for vocational teachers, and if the College of Mines at Houghton would take up this branch of work, in addition to what it is now doing, it undoubtedly would be of benefit to the state. At any rate, it is a matter that might well receive legislative consideration. The College of Mines is a very useful school and must, of course, be maintained; at the same time there is no good reason why the buildings at the school should not be utilized fully for educational purposes.

University of Michigan:

The University of Michigan is also being well conducted. Its affairs are in the hands of exceedingly efficient men and, from both an educational and business standpoint, it is a credit to the state. It is needless

to say that the University of Michigan is classed among the leading educational institutions of the world. Many of its graduates have attained high places in governmental, industrial and financial activities.

The accounting system maintained by the University is all that could be desired. Any citizen of Michigan, desiring to know, can very readily ascertain the source of all income and the purposes of all expenditure, in minutest detail, by reference to these accounts.

We find that the Board of Regents gives unusual attention to the administrative affairs of the University and maintains a business system which is a credit to them.

Michigan should be, and is, proud of its University.

State Normal Schools:

We desire to especially commend the efficient manner in which our state normal schools are being conducted. Our state normal schools are, as is well known, under the supervision of the State Board of Education. We do not know wherein there could be any improvement in the conduct of these schools except in the purchasing and accounting part of it. This weakness, however, is no fault of those administering the affairs of the schools but is the result of statutory weakness. With a centralized system of purchasing put into effect and a uniform system of accounting, these institutions would be placed upon a high plane of efficiency, and we have no other recommendations to make in regard to them.

Farms:

There is doubt in the minds of the commission as to the advisability of our state institutions maintaining large farms. We refer particularly to institutions whose inmates cannot be employed because of physical disabilities. We also doubt the advisability of any institution being permitted to buy up large acreage of poor land. We have an instance of this in the case of the State Prison at Jackson. This prison owns over four thousand acres of land, considerable of which is anything but good land. This is evidenced by the fact that last year the prison lost several thousand dollars from the operation of its farms. This is another matter that might well receive consideration at the hands of the legislature.

STATE DEPARTMENTS

In our investigation of the various state offices, we found that on the whole they were being conducted fairly well, considering the inadequate remuneration paid the clerical help. However, there is duplication of effort, a lack of labor-saving equipment and inattention to many things which, if given attention, would increase the efficiency of the offices and, consequently, lessen their costs. In some of the offices we found that they were following the same methods of doing the work as prevailed many years ago, notwithstanding that many labor-saving devices have been developed. For instance, in some of the offices many thousands of envelopes were addressed each month, with pen and ink, from permanent lists of names, this work requiring the constant attention of one or two clerks, whereas one addressing machine would do the work of half a dozen offices. We are glad to say, however, that in a considerable meas-

ure this condition has been remedied and thus a saving of money will result.

There is considerable duplication of work which, of course, entails a duplication of expense and it should be stopped effectively. In the Department of State there is a division known as the "Vital Statistics Division." This division collects statistics relative to deaths, births, marriages and divorces. These statistics are compiled and published in monthly bulletins and also in an annual report. So far as the record of deaths is concerned, the State Board of Health gathers practically the same information as does the Vital Statistics Division and this information is also published in bulletins and the annual report of the State Board of Health. The commission can see no good reason for this duplication of work in these two departments.

In the matter of making inspections provided for by law, it is often the case that the state will send an inspector to a locality to make an inspection as to sanitary conditions, another inspector to the same locality to make inspection as to adulterations of food commodities. It is suggested that one inspector could do the work of the two now engaged. Inspections as to fire risks and inspections as to fire escapes are now divided between the Labor Department and the Insurance (Fire Marshal's) Department. We believe that those inspections might well be made by the same inspector. Oftentimes it happens that two inspectors will be sent by the state to the same place for the purpose of making these inspections when one inspector could do the work quite as well as two. Comment on the duplication of work in connection with compiling and printing of annual reports will be found in this report under the head of "State Printing."

The clerical force in the employ of the state will, we believe, measure up, so far as efficiency is concerned, with a similar force employed anywhere receiving the same compensation. It is true that there are some among them who do not measure up to the standard of clerks that the state should have in its employ; on the other hand, there are many clerks who, from long years of service, have become exceedingly proficient in their work and are worth much more to the state than they are being paid. We believe that if the state paid a fair compensation, it would not only be able to retain in its service the most efficient of its present clerical force, but would also be in position to secure efficient help in the future whenever it needed it. It is very poor economy for the state to pay low salaries to its employes at the expense of efficient service. The state should be willing to pay the market price of labor; and this is just what it has not been doing for some time. The result has been that many of its most efficient employes have left the service of the state to enter the employ of private enterprises at much larger compensation than the state was paying them. This we believe to be a distinct loss of money to the taxpayers of the state. Something surely should be done by way of placing these clerks upon a fair and reasonable salary basis, sufficiently high to meet the present day economic conditions.

Under the present graded salary law a clerk; when first entering the employ of the state, can only be paid at the rate of \$800.00 a year. No matter how efficient this employe may prove to be, he cannot receive an increase in salary for a period of three months. The maximum amount that he can ever receive, no matter if he has been in the employ of the

state for twenty-five years, is only thirteen hundred dollars a year, and the average salaries paid by any department cannot exceed eleven hundred dollars a year. With the present high cost of living, it will readily be seen that a man with a family, earning only eleven hundred dollars a year, has a very difficult task to make the two ends meet; and it is doubtful that he can possibly do so. We, therefore, recommend that the graded salary law be amended so as to provide a maximum salary of fifteen hundred dollars, an average salary of twelve hundred dollars, and the removal of the minimum salary. This, we believe, will be more nearly a living wage for the state to pay its employes. Surely no taxpayers in the state will object to the employes receiving a rate of compensation that will enable them to properly meet their living expenses.

Departmental clerks now are entitled, under the law, to twenty-four days' vacation each year with pay. We believe this to be excessive. The usual rule among private business enterprises is to give employes not to exceed two weeks' vacation with pay. There is no good reason why state employes should receive more vacation than those working in private establishments. This law should be changed so as to provide for a two weeks' vacation instead of twenty-four days. This changing of the vacation period will go a good ways toward offsetting the increase in clerical salaries above recommended.

Bank examiners, upon entering the service of the state, receive a salary of seventeen hundred dollars a year. This salary may be increased at the rate of two hundred dollars a year until a maximum of twenty-five hundred dollars a year is reached. Thereafter there can be no increase in salary under the present law, no matter how efficient and valuable these men are in the state's service. The result is that these examiners are constantly leaving the employ of the state to enter the service of banking institutions who will pay larger salaries than can now be paid by the state. This condition of affairs is a distinct economic loss to the people of the state, especially when it is considered that these men have been schooled in the banking business at state expense. It is pertinent to remark that one of the examiners, at least, employed by the Securities Commission, receives a salary of thirty-five hundred dollars a year, or one thousand dollars a year more than the maximum salary paid a bank examiner; another instance of gross inequality in the payment of salaries.

Special attention is called to the inequality of the salaries paid the various executive officers of the state, their deputies and secretaries. A table showing these salaries will be found in the statistical part of this report. The gross inequality in the distribution of these salaries should immediately be remedied. There is no good sense, for instance, in the state paying the Deputy Secretary of State, the Deputy State Treasurer and the Deputy Auditor General twenty-five hundred dollars a year when the secretaries of some of the commissions receive three thousand dollars a year, and the Director of the Securities Commission four thousand dollars a year. The Department of State and the Auditor General's Department are the two largest departments of the state government, and the State Treasurer's Department is of prime importance in that through it all state moneys are received and disbursed. Surely the deputies in these three offices should receive as large a salary as those holding any other office immediately below in grade the office of chief executive. It will also be noted that the Deputy Commissioner of Banking, which

is one of the most important positions in the state's service, receives only twenty-five hundred dollars a year, while the first Deputy Insurance Commissioner receives three thousand dollars a year.

The state constitution fixes the salaries of nearly all the elective state officers. The Governor and the Attorney General each receives a salary of five thousand dollars a year. The Secretary of State, State Treasurer and the Auditor General each receives a salary of twenty-five hundred dollars a year. The salary of the Superintendent of Public Instruction, which is fixed by statute and not by the state constitution, is four thousand dollars a year. The salary paid the Secretary of State, State Treasurer and the Auditor General should, in all fairness, be equal to that now paid to the Superintendent of Public Instruction. Each of these three state departments transacts a large volume of business which requires the almost constantly careful attention of the executive head. Indeed, in the case of the Auditor General's department, at least, the present executive head devotes his entire time to the duties of his office and is one of the most efficient officials the state ever had in its service. The Secretary of State and the State Treasurer, in addition to their duties as such, are members of the Board of State Auditors in which capacity they are required to discharge many additional duties. It does not seem possible that the people of the state would refuse to grant a reasonable salary to these state officers, provided they shall be fully informed of the important duties the heads of these three departments have to perform. At any rate, there should be equality and not inequality in fixing the salaries of state officers. The legislature, therefore, would do well to equalize the salaries paid state officers and employes so that each would receive a fair wage according to character of service he performs.

More complete information relative to the various offices will be found in the stenographic reports of the examination of such offices, contained herein, and in the statistical part of the report in which will be found tabulations relating to the cost of these offices and the per cent of increase and decrease, covering a period of years.

STATUTORY CHANGES

In addition to the foregoing recommendations for a budget system, uniform accounting, improved control of printing, a central purchasing agency and certain recommendations relative to departmental work, we respectfully call attention to the following matters for legislative consideration:

Dairy and Food Activities:

Under the present laws the extension work in dairy industries is now divided between the Dairy and Food Department and the Michigan Agricultural College. It is suggested that this work all be done by the college.

The work of inspecting commercial feeding stuff now done by the Michigan Agricultural College should be transferred to the State Dairy and Food Department.

Deeds to State Property:

Deeds to state property are now in the custody of different departments thus causing a good deal of confusion. There should be enacted a law requiring that all deeds be deposited either with the State Treasurer or with the Auditor General.

Examination of State Lands:

Under the present system lands deeded to the state and subsequently deeded to purchasers are appraised by two distinct departments of the state government, namely, the Public Domain Commission and the Auditor General. This is a duplication of effort and of expense. The law should provide for this appraisal to be made by one department.

Game Laws:

Something should be done by way of legislation to protect the citizens of Michigan from the grabbing of fish from our waters by foreign corporations which come into the state, hire the fishermen and contract for all the fish they catch. Nearly all fish caught in our waters go to the large producers residing outside of the state of Michigan, most of which is put in cold storage and later is shipped back to the state for sale to our citizens at three or four times the price paid the fishermen.

For several years there was a law on our statutes which provided that fish caught in inland rivers and lakes of this state could not be shipped out of the state. This law evidently was enacted for the purpose of giving the citizens of Michigan the benefit of the fish caught in our inland waters. For some reason this law was repealed. We suggest its re-enactment.

Under the present law blank hunting licenses are sent to each county clerk to be sold to hunters, and for the sale of which he receives a commission of ten per cent. The balance of the fees the county clerk collects are supposed to be turned in to the state each month, together with certification of the number of licenses issued. At the end of the year the stubs and unused licenses are sent to the game warden. This system has proven very unsatisfactory, the state having lost money and having been put to considerable expense in making collections. This is partly due to a lack of a proper accounting system and partly due to neglect on the part of some of the county clerks. This system should be changed so that when a supply of licenses are sent to a county clerk, report thereof should be sent to the Auditor General by the Game Department. The Auditor General should then charge the county with the amount of fees that would be collected from the sale of the licenses. Upon remittance of the funds collected from the licenses issued and the return of the unissued licenses and stubs, the county would then be credited and the account against the county balanced. In this way, the county would be held responsible for a proper accounting of these license moneys.

The fire protection division of the Game Warden's Department maintains two offices, one in the lower peninsula and one in the upper peninsula. The Budget Commission sees no good reason for the maintenance of two such offices. The office maintained in the upper part of the lower peninsula is quite capable of looking after all the work. The upper peninsula office was only recently established, and was established by the

Game Warden taking over the work formerly done by the Northern Fire Protection Company, a private concern located in the city of Marquette. The maintenance of this upper peninsula office costs the state several thousand dollars a year, twice as much as the similar office in the lower peninsula.

Michigan Fish Commission:

There is no good reason for the state maintaining the Fish Commission as at present constituted. The work now done by the Fish Commission can be done by the Game Warden's Department at a much less expense. We, therefore, suggest that the Fish Commission be abolished and its activities transferred to the Game Warden's Department. The operations of the Fish Commission have not been very efficient, resultant partly from inattention to duties on the part of some members of the commission, and partly from weaknesses in the governing statute. Last year there were no meetings of the commission between the months of May and October, and from August, 1915, to October, 1917, covering a period of twenty-six months, there were only six meetings of the commission held. Of these meetings one member attended all of them, another member attended five meetings and the other member attended only two meetings. None of the records of the proceedings of these meetings have been signed by any member of the commission. It is quite evident, therefore, that the work of the commission has been largely handled and conducted by the secretary thereof.

A large amount of money comes into the hands of the commission every year, anywhere from forty to fifty thousand dollars, from non-resident licenses. Usually an average of several thousand dollars a month is in the hands of the treasurer of the commission until the end of the year when it is turned into the state treasury, or supposed to be turned in. We are sorry to say that some difficulty has been had by the auditing department of the state to secure a prompt turning over to the state treasury of these moneys.

In the past there has been a distinct waste of money at several of the state hatcheries in the laying out of extensive flower beds, etc. At some of these hatcheries it requires one man almost constantly to look after the flower beds, shrubberies, lawns, etc., and oftentimes there are two men required. No one seems to know just what the value of these hatcheries and other property owned by the Fish Commission is. The appraisal of the same is usually left to the local superintendent at the hatchery. The purchasing done in behalf of the commission is in charge of the local superintendent at the hatchery and for the purpose of making purchases, advances are made. None of the superintendents, however, are required to furnish bonds.

Under the present system the Fish Commission issues the licenses, collects the fees and then its duty is ended. It is left to the Game Warden's Department to enforce the law. This surely is as bungling a system as could be devised and certainly should be remedied.

The Game Warden's Department is now being conducted in a commendable manner and it is certain that the work now done by the Fish Commission, if transferred to the Game Warden's Department, will be well done by the present game warden, whose services to the state are of an exceptionally efficient character.

Securities Commission:

Attention is called to Section 11945, Compiled Laws of 1915, relating to fees collected by and the expenses of the Michigan Securities Commission. This law gives the commission privileges not enjoyed by any other board or commission that collects fees and, under the system adopted by the commission, it is difficult for the Auditor General to gain the knowledge he should have relative to the total amount of fees collected or the expenses of the commission, these fees being deposited to the credit of the deposit account of the commission and certain expenses paid from that fund. In some cases the expenses are paid from the fees collected and the balance deposited to the deposit account of the commission. This condition of affairs, of course, will be cured providing the legislature enacts the budget bill we have prepared.

Under the present law governing the commission, it has the power to appoint a secretary at a salary of \$2,500.00 a year and can employ such other and further assistants as may be necessary to carry out the provisions of the law, the salaries of such assistants to be fixed by the commission, subject to the approval of the Board of State Auditors. In order that there may be uniformity, it is suggested that the salaries of the clerical force of this commission be made subject to the graded salary law, as are those of the clerks in other state departments; and that the salaries of the executive officers and examiners be fixed by law.

Highway Department Activities:

Under the Covert law, large sums of money are received from the sale of bonds. This money is turned over to the county treasurers and by them deposited in banks designated by the State Highway Commissioner or by the Board of Supervisors. No bonds are required by law from the County Treasurers as security for the safe handling of this money, nor are any bonds required by law from the depositories. The law should be amended requiring that this be done. The Highway Commissioner's bond is in the sum of only \$5,000.00. This is wholly inadequate for the large sum of money passing through the hands of the Commissioner during the year. The estimated expenditures of the department this year are from two to two and one-half million dollars, one-half million of which, it is estimated, will be expended under the Covert law.

Under the present law bonds issued for highway purposes are certified to by the Highway Commissioner only. We recommend that the law be changed so that such bonds be also certified by the Governor and by the Attorney General as to their validity.

Banking Department Activities:

The present banking law places a limitation upon the number of clerks that may be employed by the banking department, the limitation being five clerks. The efficiency of the department has suffered considerably because of this statutory limitation. The work of the department is constantly increasing and there is no good reason for placing any such limitation upon the number of its employees.

Attention has already been called to the inadequate salaries paid the bank examiners employed by the department.

State Tax Commission:

Under the present law in case the State Tax Commission, acting upon petition, conducts a review of the equalized value of assessment districts in a county, the cost of such review is borne by the state. This is decidedly wrong. The expense of making such a review should be paid by the assessment districts making complaints. It is more than unjust to ask the taxpayers of Ingham County, for instance, to help pay the cost of a review of the equalized value of the various assessment districts in the county of Jackson, which review is made on complaint of a township or city in the county of Jackson. We recommend that the law be amended so as to remedy this condition of affairs.

Advisory Board in the Matter of Pardons:

Attention is called to the statutory limitation of two hundred days for which the State Pardon Board can receive compensation. It is impossible, with the large number of cases which now come annually before the board, for it to give such cases proper consideration within this time limit. The result is that either the board must work without compensation or the convicts applying for parole are not given the full consideration that they should receive. The function of the Pardon Board is important and the effect of its work, if efficiently performed, is far reaching in that opportunity is given a deserving convict to redeem himself and become a useful member of society. We think it is poor policy for the state to hamper this board in the discharge of its duties by such a statutory limitation. The board should be permitted to give ample time for the consideration of every application for parole coming before it; and the state certainly should not require the members of the board to discharge any part of their duties without compensation. It is interesting to note that the number of cases considered by the board has practically doubled during the last five years.

State Auditing:

The manner in which claims against the state are now being audited is a decidedly mixed affair—in that it is done by two distinct departments of the state government. Part of the claims are audited and allowed by the Board of State Auditors and a part of them by the Auditor General. Bills for expenses incurred by state departments, boards and commissions, which are payable from appropriations, are audited and allowed by the Auditor General, and those which are payable from the general fund are audited and allowed by the Board of State Auditors. The result is that the expense bills of a single department are divided for audit and allowance between two auditing departments of the state and consequently there is more or less duplication of work and expense in connection therewith. It is a clumsy procedure to say the least and is the result of legislation enacted without sufficient consideration of its probable workability and its relation to modern business methods. There should be but one department for the audit of the ordinary claims against the state and, in our opinion, the department that should be charged with this work is that of the Auditor General, who, being under the law the warrant officer of the state, must of necessity, before he draws his warrant for the payment of any bill, examine closely

and audit such bill to make sure that moneys are not being diverted from their proper channels. As it is now, bills audited by the Board of State Auditors are required to be sent to that board in duplicate, one copy of which is retained by the board and the duplicate copy turned over to the Auditor General. Furthermore, the Board of State Auditors meets infrequently with the result that the state's business in regard to the audit and payment of claims is not given the prompt attention it demands; whereas, if all bills were sent to the Auditor General direct for audit they would receive immediate attention. Extraordinary claims against the state, all claims relating to any contract, should, of course, still be handled by the Board of State Auditors, but the ordinary expenses of the state, incurred by the various departments, boards and offices, might better be handled by the Auditor General.

We believe, also, that all claims of every character against the state should be subject to audit by the state's auditing department before they are paid. At the present time there are a few offices of the state which pay their own expenses without such audit.

Consolidation of Offices:

Because of numerous boards, commissions, etc., there is considerable overlapping of duties and the utmost confusion in the minds of the public as to what the duties of these various boards and commissions are. We believe that by consolidating some of these offices, at least, there will result not only greater efficiency, but also a considerable saving of money to the taxpayers of the state. It will also result in consolidating similar activities under one head and surely this in itself would be a decided improvement. We, therefore, recommend:

That the present Railroad Commission and Securities Commission and the Corporation Division of the Secretary of State's Department be abolished and the powers exercised and duties discharged by these two commissions, and by the said Corporation Division, be transferred to a Corporation Commission to consist of three members to be appointed by the Governor. By doing this all matters relating to public service corporations and private corporations will be placed in one department of the state government instead of in three departments as at present obtains. The way corporation work is now handled by the state results in considerable duplication of effort. The Railroad Commission has supervision over the issue of bonds and other securities of public service corporations; the Securities Commission has supervision over the issue of bonds and other securities of private corporations, and the Corporation Division of the Department of State receives for filing and record articles of association of all corporations, also amendments to articles of association, and receives for filing the annual reports of such corporations. It is pertinent to say that, under the present system, a corporation is required to file a report with the Secretary of State and is also required to file a similar report with the Securities Commission. This duplicate report is checked over by two distinct departments, entailing a considerable amount of work by each department and, consequently, double expense to the state. When a corporation files its articles of association with the Secretary of State and these articles show intangible values as a part of its paid-in capital stock, the Secretary of State has no means of ascertaining how much water is contained in such intangible values. We

believe that it is important, as a protection to the investing public of our state, that when such a condition is presented to the state, it should be incumbent upon the state to make an investigation, such as is now done by the Securities Commission when an issue of bonds or other securities is contemplated by any private corporation. All property which constitutes a part of the paid-in capital of a corporation should be subject to appraisal whether or not an issue of bonds or stock to the general public is contemplated by the original incorporators. Unless this is done, there is danger that subsequent distribution of worthless stock will be made to the public. We believe that this new department should have charge of all this work so that if the general public wanted to know anything about any class of corporations, it could get the information from one department of the state government. It is our opinion that this consolidation would effect a saving in money and most surely would, from the standpoint of convenience, be of great benefit to the people of the state.

It is pertinent to call attention to certain matters relating to the activities of the State Railroad Commission. Public utilities applying to the commission for authority to issue stocks, bonds, or notes, are required to submit to an appraisal of their properties. These appraisals are usually made by Professor Cooley of the University of Michigan and a staff of engineers which he employs. From May, 1914, to November, 1915, covering a period of eighteen months, the cost of these appraisals was nearly \$246,000.00. The cost of appraising the property of the Pere Marquette Railroad was \$79,502.00 and the cost of appraising the property of the Detroit United Railway was \$165,641.00 and the cost of miscellaneous appraisals, \$734.00. This cost, of course, is borne by the companies whose property is appraised, the money being paid direct to those employed in making the appraisals. This is a decidedly wrong way for the State of Michigan to transact business. The companies should be billed by the state for the cost of much appraisals and the money paid direct to the state; in turn, the state should fix the compensation of all persons employed in making the appraisals and they should be paid accordingly direct from the state treasury. Any balance remaining over and above the expense of making the appraisals should be credited to an appropriate fund in the state treasury. It is suggested that if the state had in its employ an engineer capable of handling this character of work, a considerable portion of the amount paid for these appraisals would be saved to the state and, furthermore, it would be correct business whereas the present method is anything but correct business.

Under the present law the public service corporations applying to the commission for approval of bond issues are not required to pay any fee to the state for such approval. When an investigation is found necessary by the commission before such approval is given, we believe that a small fee should be exacted for this service. For the first six months in 1917 the commission approved the issue of bonds and other securities amounting to over \$200,000,000.00. It will readily be seen that a small fee, as low as one-quarter of one per cent of this amount, paid to the state as a fee would be quite a sum of money and no corporation making payment thereof would be hurt.

We have a large number of boards engaged in public health matters, such as the Board of Examination of Barbers, Board of Pharmacy, Board of Registration of Nurses, Board of Dental Examiners, etc. We believe

all matters relating to the public health should be centralized in one department. The legislature would do well to give this matter its careful consideration.

Under the present law the Agricultural Division of the Department of State collects statistical information relative to the deaf, dumb, blind, idiotic and epileptic. This work is strictly a public health matter and, therefore, should be done by the State Board of Health. It seems ridiculous to place the collection of information relating to public health in the hands of an Agricultural Division of the state government.

The State Board of Health as at present constituted consists of seven members. This board might well be dispensed with and a State Commissioner of Public Health substituted therefor, to be appointed by the Governor. This would concentrate supervision of all public health matters into the hands of one executive officer of the state for whose efficiency the Governor would be held responsible.

The law creating the office of State Oil Inspector, we think, might well be amended so that the powers now exercised and duties performed by that officer be transferred to the State Dairy and Food Department. In this connection we desire to call special attention to the stenographic report of the examination of the State Oil Inspector contained herein.

Under the present laws, there is considerable laboratory work done by various departments of the state government at considerable expense. We believe it not only would be more convenient but would result in greater efficiency and a saving of money if this laboratory work was placed in charge of one chemist to be appointed by the Governor.

Special attention is called to the amount of fees paid by the various state institutions for the services of architects, a record of which will be found in the statistical part of this report. It should be noted that last year there was paid for such services the sum of \$37,271.45 and for the five-year period ending with 1917, there was paid \$160,743.22. It is suggested that the legislature give its careful consideration to the desirability of providing by law for the employment of a State Architect.

CHARLES D. THOMPSON,
JOSEPH W. O'BRIEN,
GEORGE LORD,
O. C. TOMPKINS,
DANA H. HINKLEY,

Members of Michigan Budget Commission of Inquiry.

PROPOSED LAW PROVIDING FOR A BUDGET SYSTEM.
A BILL

To establish a budget system for the several activities of the state government; to create a state budget commission, prescribing its powers and duties; to provide that said commission shall be furnished with information by the several state departments, institutions, boards, commissions and offices relating to their financial condition and needs, receipts and expenditures, and general affairs; to prescribe the manner of financing all activities of the several departments, institutions, boards, commissions and offices of the state government; to provide punishment for refusal or neglect to comply with the requirements of this act; to provide for meeting the expense authorized by this act; and to repeal sections three and seven of chapter sixty-three, and sections six and seven of chapter sixty-four, compiled laws of nineteen hundred fifteen, insofar as said sections relate to the powers and duties of the State Board of Corrections and Charities and the making of reports thereto by state institutions; and all other acts or parts of acts contravening the provisions of this act, including the provisions of all acts making specified periodical (continuing) appropriations, excepting act three hundred three, public acts of nineteen hundred seven, and act one hundred fourteen, public acts of nineteen hundred fifteen (Act 303, P. A. 1907 and Act 114, P. A. 1915.).

The People of the State of Michigan enact:

Section 1. The term "budget system," established by this act, shall be construed to be a systematic plan of ascertaining and meeting the financial needs of the several departments, institutions, boards, commissions and offices of the state government, and of the controlling state funds.

Section 2. There is hereby created in this state a budget commission who shall exercise such powers and discharge such duties as are herein prescribed.

Section 3. Within thirty days after this act takes effect, it shall be the duty of the Governor to appoint a qualified elector of this state, who shall be well versed in state governmental affairs, a member of said budget commission, who shall be officially known as Budget Director. Said budget director shall hold his office for a period of four years from and after the date of his appointment, shall devote his entire time to the duties of his office and shall be the active working member of the commission. He shall receive an annual salary of four thousand dollars together with his necessary traveling expenses which, when approved by the Governor, shall be paid by the State Treasurer upon warrant of the Auditor General. Said budget director, together with the Governor and the Auditor General as ex-officio members, shall constitute the said budget commission, of which the Governor shall be the chairman. The ex-officio members of said budget commission shall each receive his actual expenses incurred while engaged in the discharge of his duties which, when approved by the budget director, shall be paid by the State Treasurer upon warrant of the Auditor General. Said commission may engage the services of such expert assistants and such clerical help as shall be necessary to carry out the provisions of this act and shall fix their compensation, which compensation, when approved by the budget director,

shall be paid by the State Treasurer, upon warrant of the Auditor General.

Section 4. Said budget commission shall have the power, and it is hereby directed, to obtain from the several state departments, institutions, boards, commissions and offices, on appropriate forms prescribed by the commission, on or before the fifteenth day of September in each even year, such information relating to their past expenditures and income, present financial conditions, and to their financial needs for the ensuing biennial fiscal period, together with anticipated income, as said commission shall determine is necessary and essential to the preparation of a complete budget for presentation to the legislature. It shall be the duty of the several state institutions, departments, boards, commissions and offices to promptly comply with any and all requests for information which said budget commission may make, and to render all possible assistance to the commission in carrying out the requirements of this act.

Section 5. It shall be the duty of said budget commission to assemble, on or before the first day of December, nineteen hundred twenty, and every two years thereafter, the information gathered, including an estimate of the financial needs of the several state departments, institutions, boards, commissions and offices for the biennial fiscal period beginning on the first day of July thereafter. Said commission shall then proceed to examine and revise the estimated financial needs submitted and before final revision shall hold public hearings in relation thereto, at which hearings any executive officer of the state government, including members of boards and commissions, shall have the right to be heard on the estimates of the department, institution, board, commission or office he represents. It shall be the duty of all such officers of the state government, or their subordinates, to attend such hearings upon request of the budget commission. The governor-elect shall be invited, and he is hereby authorized, to sit with said commission at such hearings, and he may examine the estimates and other information in possession of said commission and may make such suggestions and recommendations in relation thereto as he may deem advisable. Upon revision of said estimates the commission shall prepare a statement showing the estimated amounts required for the conduct of the state government in all its departments, institutions, boards, commissions and offices for each year of the biennial fiscal period next ensuing, together with the per cent of increases and decreases from expenditures for the next preceding biennium and for the first year of the current biennium, and the reasons therefor; an estimate of the revenues of the state, and the sources thereof, for each year of the ensuing biennial fiscal period; the expenditures, including bills due and unpaid, and revenues during the first year of the current biennial fiscal period and also for each year of the next preceding biennial fiscal period; an estimate of the amount needed for emergency purposes, the amount needed to pay and discharge such principal and interest of the state debt as may become due, together with such other data relating to fiscal conditions as said commission shall deem wise and of material value to the legislature in its consideration of the financial needs of the state government. When so prepared, said statement shall constitute and be known as the state budget.

Section 6. Within ten days after the legislature convenes in regular

session, it shall be the duty of the Governor, as chairman of the budget commission, to transmit to each branch of the legislature the budget herein provided accompanied by such explanations and recommendations relative thereto as he may deem necessary and advisable. A sufficient number of copies of the budget shall be printed to supply the press, a copy to each member of the legislature, a copy to the executive officer of each state department, a copy to each state institution, board and commission, also two hundred copies for distribution by the budget commission.

Section 7. Said budget commission shall have the authority to examine the books and accounts, and investigate the general affairs of the several state institutions, departments, boards, commissions and offices at any time it may deem necessary for ascertaining facts essential to a proper administration of this act, and for the purpose of making recommendations to the legislature relating to the degree of efficiency and economy in which they are being conducted. Upon demand of the budget commission, it shall be the duty of any and all officers of this state to produce, for examination, the books and papers of their respective offices, departments, and institutions, answer all questions relating thereto and to render every possible assistance to the commission in meeting the requirements of this section. In connection with such examinations, the budget commission, or any member thereof, may compel attendance and testimony of witnesses, administer oaths, and examine such persons as deemed necessary and compel the production of books and papers. The orders and subpoenas issued by said commission, or member thereof, in pursuance of the authority in them vested by provisions of this section, may be enforced upon the application of said commission to any circuit court by proceedings in contempt therein, as provided by law.

Section 8. All departments, institutions, boards, commissions and offices of the state government which heretofore have been supported and maintained in whole, or in part, from income derived from fees, licenses, penalties, or in any manner other than by specific appropriations by the legislature, shall hereafter be subject to the provisions of this act and, except as hereinafter provided, shall each be wholly supported and maintained by specific appropriations by the legislature, following the submission to the legislature of the budget, herein provided, containing the recommendations of the budget commission relative thereto. All income of such departments, institutions, boards, commissions or offices shall by them be turned into the state treasury in the manner provided by law, and such moneys shall not be paid out of the state treasury except in pursuance of specific appropriations made by law: Provided, That the income derived by the State Game, Fish and Forest Fire Commissioner's department from licenses and fees shall be estimated and such estimates included in the budget, and shall be specifically appropriated to said department for its use in the manner and for purposes provided by law. Said department, in all its activities, shall be wholly financed and maintained by such income and from no other source. Unexpended balances standing to the credit of said department at the close of any fiscal period shall be subject to transfer to the general fund, or to the emergency fund, and shall be so transferred by the State Treasurer upon written order of the budget commission: Provided further, That the state revenue derived

from the registration of automobiles and chauffeurs shall be estimated and included in the budget, and shall be specifically appropriated to the State Highway Department for its use in the manner and for purposes provided by law.

Section 9. All departments, institutions, boards, commissions and offices of the state government shall hereafter be wholly financed and maintained by specific appropriations by the legislature, except that the University of Michigan and the Michigan Agricultural College shall continue to receive such income as each may derive from its respective mill tax and interest fund, and except that the State Normal College shall continue to receive such income as it may derive from its interest fund. Except as herein otherwise provided, no money shall be paid out of the state treasury to any such state department, institution, board, commission, office, or officer, except it be in pursuance of specific appropriations made by law, and for the purpose for which the appropriations were made: Provided, That no money shall be drawn from the state treasury in excess of the amount appropriated for each activity of the state government: Provided further, That no money appropriated for a specific purpose shall be transferred and used for any other purpose by any state department, institution, board, commission or office, without the written approval of the budget commission.

Section 10. Except as hereinafter provided, all revenue of the state government, from whatever source derived, shall be turned into the state treasury by the state department, institution, board, commission or officer, which makes collection or receives such revenue, on or before the first day of each month following its collection or receipt. No funds shall be disbursed from the state treasury unless specifically authorized by law, and then only upon warrant of the Auditor General and for the purpose, or purposes, named in the appropriation or governing statute. The Auditor General may refuse to draw his warrant upon the state treasury for any funds requested by any state department, institution, board, commission or office unless satisfactory showing shall be made that the funds requested are actually needed at the time and in the amount named in such request: Provided, That such funds as shall be needed, from time to time, by each state institution shall be credited to its appropriation account in the state treasury upon warrant of the Auditor General, and the amount so credited shall only be paid out of the state treasury upon check-vouchers signed by the executive officer of the institution, the form of which check-voucher shall be prescribed by the Auditor General. All such funds shall be used by said institutions strictly for the purpose, or purposes, named in the appropriation act, or acts, and in accordance with the requirements of the general accounting laws of the state: Provided further, That each state institution shall be permitted to establish and maintain a petty cash account in an amount which the Auditor General shall deem is necessary and expedient, but in no case shall such account exceed, at any time, the sum of five hundred dollars (\$500.00): Provided, That the provisions of this section shall not apply to or affect such revenue as may be derived by the University of Michigan, the Michigan Agricultural College, and the State Normal College, from sources other than specific appropriations: Provided further, That the State Treasurer shall keep separate accounts of the funds used by the

state institutions engaged in manufacturing on state account, and such funds shall be paid out of the state treasury in accordance with the requirements of this section.

Section 11. All emergency claims against the state shall be presented to the Board of State Auditors for investigation and consideration, and all such claims allowed by said board, together with reasons for their allowance, shall be certified in writing by said board to the Auditor General before he draws his warrant therefor.

Section 12. The Governor shall have the power, and he is hereby directed upon a finding of guilt, to remove from office the executive officer of any state department, the members of any state board or commission, or the incumbent of any other office of the state government, who refuses or wilfully neglects to comply with any of the requirements of this act. It shall be the duty of the budget director to report to the Governor each such refusal or neglect and thereupon the Governor, before taking final action thereon, shall summons the person, or persons, complained against to make answer why he, or they, should not be removed from office.

Section 13. The Board of State Auditors are hereby directed to furnish suitable offices for the use of said State Budget Commission, which offices, if possible, shall be located at the state capitol building.

Section 14. For the purpose of meeting the expense of carrying out the provisions of this act, there is hereby appropriated for the use of said State Budget Commission the sum of eighteen thousand dollars, eight hundred dollars of which amount the Auditor General shall incorporate in the state tax for the fiscal year ending June 30th, 1920, and ten thousand dollars of which shall be incorporated in the state tax for the fiscal year ending June 30th, 1921.

Section 15. Sections three and seven of chapter sixty-three, and sections six and seven of chapter sixty-four, compiled laws of nineteen hundred fifteen, insofar as said sections relate to the powers and duties of the State Board of Corrections and Charities and the making of reports thereto by state institutions; and all other acts, or parts of acts, contravening the provisions of this act, including the provisions of all acts making specified periodical (continuing) appropriations, except act three hundred three, public acts of nineteen hundred seven, and act one hundred fourteen, public acts of nineteen hundred fifteen (Act 303, P. A. 1907, and Act 114, P. A. 1915) relating to the mill tax for the support of the University of Michigan and the Michigan Agricultural College, are hereby repealed.

PROPOSED LAW PROVIDING FOR A UNIFORM ACCOUNTING SYSTEM

A BILL

To provide for the formulation and establishment of a uniform system of accounting and reporting in the several departments, offices and institutions of the state government, and in all county offices; to provide for the examination of the books and accounts of each state department, office and institution, and of each county office; to provide for annual financial reports from all such departments, institutions and offices, and for the tabulation and publication of comparative financial statistics relating thereto; to provide that the Auditor General shall administer the provisions of this act, prescribing his powers and duties in relation thereto; to provide penalties for violation, or failure to comply with the requirements of this act; to provide for meeting the expense authorized by this act, and to repeal act number one hundred eighty-three, public acts of nineteen hundred eleven and all other acts, or parts of acts, contravening the provisions of this act.

The People of the State of Michigan enact:

Section 1. It shall be the duty of the Auditor General to formulate, prescribe and install a system of accounting and reporting in conformity with the provisions of this act that shall be uniform for every state department, office and institution, and for every county office and public account of the same class. The Auditor General is hereby required and directed to proceed to carry out the requirements of this section immediately following the date this act takes effect.

Section 2. Said system shall embrace accounts showing all sources of income, the amounts due, collected and received from each source, the amount expended for each purpose, bills and accounts payable; the receipt, use and disposition of other public property and the income, if any, derived therefrom. Said system shall also embrace accounts which shall show for each industry conducted by any institution or department of the state government the unit cost of operation and shall be in such form as shall exhibit actual detailed financial results of each industrial activity. Said system shall embrace such other forms of accounts as the Auditor General may deem wise and essential to efficient financial administration of public affairs pertaining to the state and county governments.

Section 3. A separate account shall be kept of each appropriation, or fund, made to or received by each department, institution and office of the state government, and by each county office, which shall show the date and manner of each payment therefrom, the name and address of the person or association of persons to whom paid, and for what purpose paid.

Section 4. It shall be the duty of each department, institution and office of the state government, and each county office, to make an annual financial report in accordance with forms prescribed by the Auditor General which shall be uniform for all accounts of the same class. Said reports shall be made in duplicate, one copy of which shall, within thirty days after the close of each fiscal year, be filed in the office of the Auditor General and one copy with the Governor, and shall contain an accurate

statement in summarized form showing, for each fiscal year ending June 30, the amount of all collections and receipts from all sources, and their disposition, all accounts due the public treasury but not collected, the amount of expenditures for every purpose and by what authority authorized, the amount of indebtedness, the cost of operation of all industrial activities and financial results obtained therefrom, balance of funds on hand at the close of each fiscal period, together with such other information as may be required by the Auditor General. The substance of these reports shall be arranged by the Auditor General and published at the expense of the state in an annual volume of comparative statistics, and shall be in such form as shall show the comparative receipts from the various sources of revenue and the comparative costs of the several branches of the state and county governments. A sufficient number of copies of said volume shall be published to furnish a copy to each member of the legislature, a copy to each state department, institution and office, a copy to each county office, and two hundred copies for general distribution.

Section 5. The Auditor General shall hereafter be the supervisor of the accounts of all state departments, institutions and offices, and of all county offices. He shall have the power, and he is hereby directed, to examine, or cause to be examined, the books, accounts and financial affairs of each department, institution and office of the state department, and of each county office. Such examination shall be made at least once in each year, or as often as in the judgment of the Auditor General it shall be for the public good. The Auditor General is hereby authorized to employ such assistant accountants and examiners as he may deem necessary to properly and efficiently administer the provisions of this act and to fix their compensation, which compensation shall not exceed an average of two thousand dollars per annum for each of said accountants and examiners employed. In addition to such compensation, they shall be paid their necessary traveling expenses, which compensation and expenses, when audited and approved by the Auditor General, shall be paid by the State Treasurer out of the fund appropriated for that purpose, upon warrant of the proper officer. The Auditor General and the Deputy Auditor General shall receive their actual traveling expenses incurred while engaged in administering the provisions of this act, which shall be paid by the State Treasurer out of the funds appropriated for that purpose, upon warrant of the Auditor General.

Section 6. Upon demand of the Auditor General, Deputy Auditor General, or any person duly appointed by the Auditor General, to make the examinations herein provided, it shall be the duty of any and all officers of the state and county governments to produce, for examination, the books of account and papers of their respective departments, institutions and offices, and to truthfully answer all questions relating thereto. In connection with such examinations, the Auditor General, Deputy Auditor General, or any person designated to make such examinations, may issue subpoenas, direct the service thereof by any police officer, and compel the attendance and testimony of witnesses, may administer oaths and examine such persons as may be necessary, and may compel the production of books and papers. The orders and subpoenas issued by the Auditor General, Deputy Auditor General, or by any person charged with the duty of making the examinations herein provided, in pursuance

of the authority in them vested by provisions of this section, may be enforced upon their application to any circuit court by proceedings in contempt therein, as provided by law.

Section 7. A report shall be made, in duplicate, of each examination made in accordance with the provisions of this act. Said duplicate report shall be signed and verified by the officer making the examination, one copy of which shall be filed in the office of the Auditor General and one copy with the executive officer of the department, institution or office examined. If any such examination discloses malfeasance, misfeasance, nonfeasance or gross neglect of duty on the part of any officer or employe of any department, institution, or office of the state government, or on the part of any officer or employe of any county office, for which a criminal penalty is provided by law, an additional copy of such report shall be made and filed with the Attorney General, whose duty it shall be, within sixty days after receipt of such report, to institute criminal proceedings against such officer or employe, or direct that such criminal proceedings be instituted by the prosecuting attorney of the county in which the offense was committed. It shall also be the duty of the Attorney General, or the prosecuting attorney, as the case may be, to institute civil action in any court of competent jurisdiction for the recovery of any public moneys, disclosed by any such examinations to have been illegally expended, or collected and not accounted for; also for the recovery of any public property disclosed to have been converted and misappropriated. Refusal or neglect to comply with the requirements of this section on the part of the Attorney General, or on the part of the prosecuting attorney of any county in the state, shall be sufficient cause for his removal from office by the Governor.

Section 8. It is hereby made the duty of the executive officers of each state department, institution and office, and the executive officer of each county office, to adopt and use the books, forms, records and systems of accounting and reporting, prescribed by the Auditor General and to promptly purchase such books, forms and records as may be necessary thereto, in the manner now provided by law for the purchase of such articles. Refusal or neglect on the part of any officer of any branch of the state government, or any county officer, to provide such books, forms or records, or to use them, or to make the reports required by this act, or keep the accounts of his office as directed by the Auditor General, shall be sufficient cause for his removal from office by the Governor.

Section 9. The Governor shall have the power, and he is hereby directed upon a finding of guilt, to remove from office the officer of any branch of state government, or county government, who refuses or willfully neglects to keep the accounts of his office in the manner and form prescribed by the Auditor General, or to make the reports herein provided, or who refuses or neglects to comply with any other requirements of this act. It shall be the duty of the Auditor General to promptly report to the Governor, each such refusal or neglect and thereupon the Governor, before taking final action thereon, shall summons the officer complained against to make answer why he should not be removed from office.

Section 10. Any person who shall give or offer to any examiner, accountant, clerk or other employe of the Auditor General's department, any money, gift, emolument, or thing of value for the purpose of influencing the action of such examiner, or other person, in any matter

relating to the examination of any public account authorized by this act, or for the purpose of preventing or delaying the examination of any such public account, or for the purpose of influencing the action of such examiner, or other person, in framing, changing, withholding or delaying any report of any examination of any such public account shall be deemed guilty of a misdemeanor and, upon conviction thereof, shall be punished by a fine of not more than one thousand dollars nor less than two hundred dollars, or he may be imprisoned in the Detroit House of Correction for a period of not more than six months and not less than thirty days, or he may be punished by both such fine and imprisonment, in the discretion of the court.

Section 11. Any person appointed by the Auditor General to make the examinations herein provided, or any officer, clerk or other employe of the Auditor General's department, who shall receive, solicit any money, gift, emolument, or anything of value for the purpose of being influenced in the matter of the examination of any public account authorized by this act, or for the purpose of being influenced to prevent or delay the examination of any such public account, shall be deemed guilty of a misdemeanor and, upon conviction thereof, shall be punished by a fine of not more than one thousand dollars and not less than two hundred dollars, or he may be imprisoned in the Detroit House of Correction for a period of not more than six months and not less than thirty days, or he may be punished by both such fine and imprisonment, in the discretion of the court.

Section 12. The Auditor General shall estimate, as near as may be, the amount of money necessary to meet the expense of administering the provisions of this act during each year of the biennial period, commencing the first day of July, nineteen hundred nineteen, and he shall make a similar estimate every two years thereafter: Provided, That if the legislature shall provide for a budget system of making and controlling appropriations, then, and in that case, the duty imposed upon the Auditor General by this section shall thereafter be discharged by a budget commission or budget commissioner, as the case may be, and the expense of administering the provisions of this act shall be met by a specific appropriation, included in the budget. There is hereby appropriated from the general fund of the state a sufficient amount to meet the expenditures necessary to carry out the requirements of this act, and the Auditor General is hereby directed to incorporate in the state tax a sufficient amount to reimburse the general fund for the money drawn from it for the purposes herein provided.

Section 12. Act number one hundred eighty-three of the public acts of nineteen hundred eleven, and all other acts or parts of acts contravening the provisions of this act, are hereby repealed.

COMPARATIVE STATEMENT
OF THE
ASSESSED VALUATION AND TAXES LEVIED
1912—1917

ASSESSED VALUATION

	1912	1913	1914	1915	1916	1917	Per cent of Increase, 1912-1917
Real Estate.....	\$1,649,105,370	\$1,854,865,772	\$2,227,553,363	\$2,383,510,822	\$2,906,433,102	\$3,200,385,271	94
Personal Property.....	429,589,039	490,829,937	537,886,273	584,725,991	718,709,869	826,979,446	93
Total.....	\$2,078,694,409	\$2,345,695,709	\$2,765,439,636	\$2,968,236,813	\$3,625,142,971	\$4,027,364,717	94

TAXES LEVIED

	1912	1913	1914	1915	1916	1917	Per Cent of Increase 1912-1917
State Tax.....	\$5,451,852 63	\$8,591,274 60	\$6,130,119 53	\$9,509,461 85	\$7,221,842 82	\$9,610,533 41	76
County Tax.....	4,984,404 46	5,781,978 11	6,139,113 89	6,899,367 45	6,917,217 49	9,094,343 58	82
Township Tax.....	1,209,518 85	1,357,011 96	1,476,832 34	1,573,461 78	1,638,359 06	1,834,540 51	52
School Tax.....	10,644,688 72	11,867,592 92	12,812,310 96	14,041,643 45	15,818,749 10	19,110,420 77	80
Highway Tax.....	3,845,834 89	4,336,029 57	4,647,016 86	5,083,223 73	5,625,136 20	5,916,641 87	54
County Road Tax.....	1,308,043 13	1,621,681 34	1,882,660 13	2,474,771 26	2,793,183 52	2,953,782 15	126
Drain Tax.....	214,404 70	366,116 00	337,124 48	381,275 90	517,180 70	611,018 09	185
City Tax.....	14,008,187 95	14,847,047 32	15,346,104 07	18,268,286 40	18,555,482 54	21,153,408 23	51
Village Tax.....	1,563,707 62	1,779,992 11	2,025,793 03	2,348,198 97	2,713,927 78	3,312,033 47	111
Rejected Tax.....	10,325 09	20,142 43	14,886 04	17,230 28	13,924 55	15,955 79	.....
Total Taxes.....	\$43,242,968 04	\$50,569,766 36	\$50,811,961 33	\$60,596,921 07	\$61,815,003 76	\$73,612,697 87	70

Tax Levy—Per Capita—1912—\$15.39.
1917—23.12.

COMPARATIVE STATEMENT

Showing the salaries and expenses of, and the average number of persons employed in, the several departments of the state government for the fiscal years ending June 30th, 1908 and 1917.

	1908			1917			Increase or Decrease Per Cent.
	Salaries.	Traveling Expense.	Totals.	Salaries.	Traveling Expense.	Totals.	
Attorney General.....	\$14,300 00	\$1,000 36	\$15,300 36	\$25,530 05	\$371.79	\$25,901 84	69
Auditor General.....	132,488 29	2,828 52	135,316 81	108,158 90	3,981 69	112,140 59	117
Banking Commissioner..	22,157 87	9,478 53	31,636 40	49,446 45	18,394 01	67,840 46	114
Board of State Auditors*.....	40,973 08	660 03	41,633 11	65,896 58	129 10	66,025 68	59
Board of Health.....	14,000 00	452 49	14,452 49	20,791 47	1,576 89	22,368 36	55
Board of Pardons.....	5,168 00	1,717 75	6,885 75	6,266 00	2,306 49	8,572 49	25
Board of Corrections and Charities.....	3,023 34	787 45	3,810 79	5,573 03	908 32	6,481 35	70
Dairy and Food Com- mission.....	26,741 09	11,828 03	38,569 12	31,774 18	12,675 60	44,449 78	15
Department of Labor..	27,787 84	6,283 70	34,071 54	42,809 80	6,528 94	49,338 74	45
Executive Office.....	9,712 07	346 85	10,058 92	11,461 59	98 93	11,560 52	15
Fish Commission.....	24,702 45	2,858 59	27,561 04	22,989 89	3,952 11	26,942 00	12
Game, Fish and Forest Fire Commission..	26,255 90	18,694 54	44,950 44	114,653 84	50,887 66	165,541 50	268
Geological Survey.....	7,874 00	2,050 31	9,924 31	21,965 28	3,173 85	25,139 13	163
Highway Department..	6,424 56	2,292 38	8,716 94	19,195 18	7,047 87	26,243 05	201
Historical Commission. Industrial Accident Board.....	1,241 60	.....	1,241 60	4,793 88	760 44	5,554 32	347
Insurance Commission- er.....	11,664 67	91 95	11,756 62	37,464 77	2,428 04	39,892 81	.....
Public Domain Com- mission.....	.....	.....	.....	34,039 36	9,864 65	43,904 01	273
Land Office and Fores- try Commission..c	30,774 58	10,156 15	40,930 73	51,470 42	6,828 38	58,298 80	.....
Live Stock Sanitary Commission.....	1,754 00	2,313 75	4,067 75	8,044 38	4,473 33	12,517 71	208
Railroad Commission..	17,187 66	71 55	17,259 21	25,086 16	876 07	25,962 23	50
Secretary of State.....	48,199 09	656 54	48,855 68	99,515 45	2,740 71	102,256 16	109
Securities Commission..	.....	.....	.....	5,319 50	353 75	5,673 25	.....
State Library.....	15,310 86	27 99	15,338 85	24,079 49	.....	24,079 49	57

	9,582 05	395 27	9,977 32	13,172 17	157 22	13,329 39	34
State Treasurer.....							
Superintendent of Public Instruction.....	13,826 73	1,449 46	15,276 19	25,143 66	3,446 90	28,590 56	87
Supreme Court and.....	70,596 91	.....	70,596 91	81,584 90	.....	81,584 90	15
Circuit Courts.....	124,278 52	4,452 25	128,730 77	210,576 03	12,063 67	222,639 70	73
Tax Commission.....	31,091 61	7,927 27	39,018 88	122,301 40	69,202 38	191,503 78	391
	\$737,116 77	\$88,821 71	\$825,938 48	\$1,289,103 81	\$225,228 79	\$1,514,332 60	83

†Decrease.

*Including Superintendent of Capitol.

a In 1908 there was expended for miscellaneous expenses and expenses for special purposes \$15,529.51, and in 1917, \$44,424.26, so that the aggregate cost of the commission was much more in 1917 than in 1908.

b Including expense of Fire Marshal's Bureau which was not in existence in 1908.

c Transferred to Public Domain Commission January 1st, 1915.

COMPARATIVE STATEMENT

Showing salaries paid elective state officers in Michigan and in other states having population nearest equal to that of Michigan.

State	Population 1910 Census.	Salaries Paid					
		Governor.	Secretary of State.	State Treasurer.	Auditor General.	Attorney General.	Supt. of Public Instruction.
Michigan.....	2,810,173	\$5,000 00	\$2,500 00	\$2,500 00	\$2,500 00	\$5,000 00	\$4,000 00
California.....	2,377,549	10,000 00	5,000 00	5,000 00	5,000 00	6,000 00	5,000 00
Georgia.....	2,609,121	5,000 00	2,000 00	2,000 00	.....	2,500 00	.....
Indiana.....	2,700,876	8,000 00	6,500 00	7,500 00	7,500 00	7,500 00	5,000 00
New Jersey.....	2,537,167	10,000 00	6,000 00	6,000 00	6,000 00	7,000 00	.....
Wisconsin.....	2,333,860	5,000 00	5,000 00	5,000 00	.....	5,000 00	5,000 00

COMPARATIVE STATEMENT.

Showing salaries paid deputies and secretaries of the various state departments for the years 1908 and 1918.

	1908.	1918.
Deputy Secretary of State.....	\$2,500 00	\$2,500 00
Deputy Auditor General.....	2,500 00	2,500 00
Deputy State Treasurer.....	2,000 00	2,500 00
Deputy Attorney General.....	2,000 00	4,000 00
Deputy Superintendent of Public Instruction.....	2,000 00	2,500 00
Deputy Highway Commissioner.....		2,000 00
Clerk, Board of State Auditors.....	2,000 00	2,800 00
Secretary, Michigan Securities Commission.....		^a 4,000 00
Secretary, Public Domain Commission.....	2,000 00 ^b	3,500 00
Deputy Insurance Commissioner.....	2,000 00	3,000 00
Deputy Labor Commissioner.....	1,500 00	2,000 00
Deputy Banking Commissioner.....	2,000 00	2,500 00
Deputy Food and Drug Commissioner.....	1,500 00 ^c	2,500 00
Chief Deputy, Game Fish and Forest Fire Commissioner.....	1,500 00 ^d	2,000 00
Secretary to the Governor.....	1,800 00	2,500 00
Secretary, Board of Health.....	2,500 00	2,500 00
Secretary, Board of State Tax Commissioners.....	2,000 00	3,000 00
Secretary, Michigan Railroad Commission.....	1,500 00	2,000 00
Secretary, Industrial Accident Board.....		^e 2,500 00
Secretary, State Board of Corrections and Charities.....	2,000 00	3,000 00

aEstablished 1913.

bDeputy Land Commissioner in 1908.

cDeputy Dairy and Food Commissioner in 1908.

dDeputy Game Warden in 1908.

eEstablished, Extra Session of 1912.

COMPARATIVE STATEMENT.

Showing costs for 1908 and 1917 of the principal departments of the state government, together with the per cent of increase or decrease.

	1908.	1917.	Increase Per Cent.	Decrease Per Cent.
Attorney General.....	\$19,117 00	\$28,831 00	51	.....
Auditor General.....	172,081 00	151,186 00	.....	12
Banking Commissioner.....	35,368 00	83,459 00	136	.....
Dairy and Food Com'isioner..	41,917 00	55,709 00	33	.....
Department of Labor.....	37,920 00	58,969 00	56	.....
Executive Office.....	14,483 00	15,743 00	9	.....
Game, Fish and Forest Fire Commissioner.....	45,813 00	219,075 00	378	.....
Geological Survey.....	13,278 00	36,659 00	176	.....
Industrial Accident Board.....	^a	50,317 00	.....	.....
Insurance Commissioner.....	15,265 00	56,753 00	272	.....
Michigan Railroad Commis- sion.....	23,881 00	33,387 00	40	.....
Public Domain Commission..	^b 50,642 00	89,924 00	78	.....
Secretary of State.....	85,806 00	184,294 00	115	.....
State Tax Commission.....	42,122 00	200,867 00	376	.....
State Board of Fish Commis- sioners.....	45,088 00	74,236 00	65	.....
State Board of Health.....	25,067 00	100,844 00	303	.....
State Highway Department..	78,177 00	1,627,658 00	1982	.....
State Library.....	34,717 00	45,306 00	31	.....
State Military Purposes.....	126,501 00	188,924 00	49	.....
State Naval Brigade.....	16,867 00	38,502 00	128	.....
State Treasurer.....	11,323 00	22,361 00	97	.....
Supt. of Public Instruction...	21,667 00	43,122 00	99	.....
Supreme and Circuit Courts..	199,898 00	310,256 00	55	.....

a Organized in 1913.

b Includes \$42,057, expense of state land office which office was consolidated with the office of the Public Domain Commission in 1915.

COMPARATIVE STATEMENT
Relating to State Hospitals and Charitable Institutions.

	Expenditures for special purposes, new buildings, repairs, equipment, etc.		Current Expenses.		
	Average yearly Expenditures 1908-1917.	Expenditures 1917.	Average yearly Cost 1908-1917.	Cost 1917	Increase Per Cent.
Kalamazoo State Hospital.....	\$27,879 00	\$52,942 00	\$407,379 00	\$507,692 00	25
Pontiac State Hospital.....	26,235 00	5,525 00	278,855 00	322,104 00	16
Traverse City State Hospital.....	31,064 00	9,897 00	304,086 00	399,283 00	31
Newberry State Hospital.....	29,922 00	10,057 00	176,355 00	229,262 00	30
State Psychopathic Hospital.....	11,314 00	13,796 00	23,880 00	29,516 00	24
Ionia State Hospital.....	20,357 00	8,467 00	83,460 00	101,459 00	22
Michigan Farm Colony for Epileptics*.....	103,268 00	95,077 00	47,975 00	63,605 00	33
Michigan Home and Training School.....	38,060 00	32,642 00	195,495 00	279,993 00	43
State Sanatorium.....	18,607 00	205 00	44,127 00	77,984 00	77
State Public School.....	9,418 00	11,029 00	52,622 00	63,128 00	20
Michigan School for the Deaf.....	37,352 00	14,143 00	102,295 00	108,497 00	6
Michigan School for the Blind.....	23,166 00	44,354 00	49,405 00	59,808 00	21
Michigan Employment Institution for the Blind.....	32,348 00	81,302 00	42,961 00	29,212 00	a32
Michigan Soldiers' Home.....	4,461 00	.....	202,896 00	230,030 00	13

*Average for four years only.
Institution established in 1914.
a Decrease.

COMPARATIVE STATEMENT
Relating to State Educational Institutions.

	Expenditures for special purposes, new buildings, repairs, equipment, etc.		Current Expense.		
	Average yearly Expenditures. 1908-1917.	Expenditures. 1917.	Average yearly Cost. 1908-1917.	Cost. 1917.	Increase Per Cent.
University of Michigan.....	\$209,884 00	\$247,316 00	\$1,480,822 00	\$2,198,526 00	48
Michigan Agricultural College.....	125,194 00	*436,830 00	455,634 00	706,274 00	55
State Normal College.....	43,821 00	88,276 00	194,457 00	237,526 00	22
Western State Normal School.....	32,502 00	22,439 00	103,842 00	156,673 00	51
Northern State Normal School.....	20,688 00	.....	59,792 00	72,571 00	21
Central Michigan Normal School.....	19,885 00	2,378 00	88,888 00	105,093 00	18
Michigan College of Mines.....	16,490 00	6,950 00	92,481 00	79,015 00	a30

*Includes expenditure for Gymnasium and Hall of Engineering.

aDecrease.

AMOUNTS PAID FOR SERVICES OF ARCHITECTS FOR THE FIVE YEAR PERIOD
ENDING JUNE 30TH, 1917. ALSO AMOUNT PAID FOR SERVICES OF
ARCHITECTS FOR THE FISCAL YEAR, ENDING JUNE 30TH, 1917.

	Five year period.	1917.
University of Michigan.....	\$60,727 37	\$19,224 63
Michigan Agricultural College.....	10,591 97	2,843 70
State Normal College.....	17,138 31	6,017 96
Central Michigan Normal School.....	4,427 48	
Western State Normal School.....	4,215 00	15 00
Northern State Normal School.....	7,524 31	
Michigan College of Mines (no expense).....		
Michigan School for the Deaf.....	9,013 62	
Michigan School for the Blind.....	7,101 06	1,292 02
Michigan Employment Institution for the Blind.....	339 33	
State Public School.....	1,998 86	1,035 41
Industrial School for Boys (no expense).....		
Industrial Home for Girls (no expense).....		
Michigan Soldiers' Home.....	1,077 62	77 62
Kalamazoo State Hospital.....	7,026 69	3,465 70
Pontiac State Hospital (no expense).....		
Traverse City State Hospital.....	1,416 00	166 00
Newberry State Hospital.....	6,735 70	50 65
Michigan Home and Training School.....	3,811 24	345 00
Michigan Farm Colony for Epileptics.....	11,249 43	2,737 76
Ionia State Hospital.....	1,925 10	
Michigan State Prison (no expense).....		
State House of Correction and Branch Prison.....	225 60	
Michigan Reformatory.....	2,777 00	
Michigan State Sanatorium.....	1,421 53	
Total.....	\$160,743 22	\$37,271 45

LIST OF BOOKS, REPORTS, BULLETINS, ETC., PRINTED BY AND UNDER
DIRECTION OF THE VARIOUS DEPARTMENTS
OF THE STATE GOVERNMENT.

DEPARTMENT.	KIND.	Year.	No. Copies.	No. Pages.	Cost.
Academy of Science.....	16th Annual Report.....	1914	1,200	208	\$ 506 50
	17th Annual Report.....	1915	1,200	224	536 11
	18th Annual Report.....	1916	1,200	120	359 07
Attorney General.....	Annual Report.....	1915	968	664	1,009 87
	Annual Report.....	1916	970	648	976 39
Auditor General.....	Annual Report.....	1915	750	408	1,638 61
	Annual Report.....	1916	750	452	2,038 14
Board of Agriculture.....	Annual Report.....	1915	9,400	364	2,867 38
	Annual Report.....	1916	9,400	896	5,319 00
Board of Corrections and Charities..	Biennial Report.....	1915-16	1,200	340	733 40
Board of Education.....	Biennial Report.....	1915-16	500	160	569 43
Board of Equalization.....	Annual Report.....	1916	700	224	629 55
Board of Examiners of Barbers.....	Biennial Report.....	1913-14	700	8	12 05
Board of Geological Survey.....	Bulletin 20.....	1915	1,500	180	705 68
	Bulletin 21.....	1915	1,400	404	2,824 35
Board of Health.....	Annual Report.....	1914	3,000	160	828 26
Board of Library Commissioners.....	Annual Report.....	1915	1,000	96	224 75
Board of State Auditors.....	Annual Report.....	1915	500	344	924 39
	Annual Report.....	1916	700	348	1,017 05
	Price List, Stationery.....	1915-17	300	20	63 06
	Price List, Printing and Binding....	1916-18	250	48	133 40
Commissioner of Banking.....	Annual Report.....	1915	1,050	772	3,226 60
	Annual Report.....	1916	1,150	636	3,510 79
Commissioner of Insurance.....	Fire Report.....	1916	800	24	98 07
	Fire and Marine Report.....	1916	1,000	756	2,520 48
	Preliminary Fire Report.....	1915	1,000	24	98 82
	Life and Fraternal.....	1915	1,000	840	2,910 98
	Fire Marshal.....	1915	3,000	80	254 83
	Preliminary Life.....	1916	800	72	290 49
Commissioner of Labor.....	Annual Report.....	1915	5,000	704	3,848 70
	Annual Report.....	1916	5,000	744	4,189 31
Dairy and Food Commissioner.....	Annual Report.....	1915	1,200	408	946 48
	Annual Report.....	1916	1,200	312	680 38
	Bulletins.....	1915	3,100	.....	937 08
	Bulletins.....	1916	5,000	.....	477 82
Employment Institution for the Blind	Biennial Report.....	1915-16	700	44	101 83
Farm Colony for Epileptics.....	Biennial Report.....	1915-16	700	24	96 57
Game, Fish and Forestry Warden...	Biennial Report.....	1915-16	2,000	104	463 14
	Fire Report.....	1916	1,500	28	100 50
Highway Commissioner.....	Biennial Report.....	1915-16	5,000	140	1,559 73
Historical Commission.....	Annual Report.....	1916	1,500	36	63 65
	University Series No. 1.....	1917	2,500	632	1,713 83
Horticultural Society.....	Annual Report.....	1915	5,000	216	1,678 37
	Annual Report.....	1916	4,000	52	512 25
House of Correction and Branch Prison U. P.....	Biennial Report.....	1915-16	700	70	285 49
Industrial Home for Girls.....	Biennial Report.....	1915-16	700	32	110 34
Ionia State Hospital.....	Biennial Report.....	1915-16	600	36	112 41
Joint Board of Trustees of State Hospitals.....	Meeting January 21.....	1915	500	16	18 35
	Meeting July 15.....	1915	400	40	49 68
	Meeting January 20.....	1916	400	32	35 36
	Meeting July 20.....	1916	500	56	64 94
	Meeting January.....	1917	325	40	44 22
Kalamazoo State Hospital.....	Biennial Report.....	1915-16	1,000	156	499 04
Legislature.....	House Bills.....	1917	.....	.....	3,206 18
	House Daily Journals.....	1917	.....	.....	5,858 90
	House Enrolled Acts.....	1917	.....	.....	1,882 56
	History of House Bills.....	1917	.....	.....	484 31
	Election Laws.....	1915	.....	.....	83 23
	Senate Bills.....	.....	.....	.....	3,639 64
	Senate Daily Journal.....				5,068 82
	Senate Enrolled Acts.....				2,028 45
	Senate Official Journal.....				2,697 73

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DIRECTION OF THE VARIOUS DEPARTMENTS
OF THE STATE GOVERNMENT.

DEPARTMENT.	KIND.	Year.	No. Copies.	No. Pages.	Cost.
Legislature—Cont'd.	History of Senate Bills				276 61
	Legislative Hand Book	1917—18	6,000	224	1,069 24
Library	Biennial Report	1915—16	1,000	44	63 78
	American Flag	1915	10,000	48	708 11
Live Stock Sanitary Commission	Biennial Report	1915—16	2,200	32	110 33
Board of Mediation and Conciliation	Annual Report	1916	2,500	32	59 99
Michigan Home and Training School	Biennial Report	1915—16	700	44	145 12
Michigan Railroad Commission	Annual Report	1915	900	308	1,177 69
Michigan Reformatory	Biennial Report	1915—16	800	64	202 27
Newberry State Hospital	Biennial Report	1915—16	1,000	84	243 17
Oil Inspector	Annual Report	1915	450	28	71 79
	Annual Report	1916	400	16	25 12
Pontiac State Hospital	Biennial Report	1915—16	1,200	96	278 26
Psychopathic Hospital	Biennial Report	1915—16	800	76	229 18
Public Domain Commission	Biennial Report	1915—16	6,000	180	746 73
Board of Commissioners for the pro- motion of Uniformity of Legisla- tion.	Biennial Report	1915—16	700	16	20 28
School for the Blind	Biennial Report	1915—16	700	56	118 49
Traverse City State Hospital	Biennial Report	1915—16	700	96	276 48
Tax Commission	Biennial Report	1915—16	4,500	92	530 13
State Prison	Biennial Report	1915—16	700	140	275 85
State Public School	Biennial Report	1915—16	700	92	292 94
State Association of the Superinten- dents of Poor	Annual Report	1916	600	112	130 22
State Treasurer	Annual Report	1916	800	52	203 37
	Annual Report	1917	800	52	219 12
State of Michigan	Public Acts	1917	16,000	1,076	10,926 79
Secretary of State	Laws—Conduct of Elections	1916	10,000	36	201 74
	Building and Loan Law	1916	500	100	441 67
	Vital Statistics and Monthly Bulletins	1916	7,000	16	.....
			to	to	.....
			9,000	20	1,076 57
	Vital Statistics, Supplemental Bul- letin	1916	10,000	20	105 53
	Revision of Drain Law	1915	2,000	160	428 79
	Registration of Birth Laws	1916	5,000	12	36 83
	Revision of Primary Election Law	1915	10,000	52	285 23
	Live Stock Sanitary Law	1915	1,000	32	59 85
	State Judicature Act	1915	6,000	149	2,614 58
	Immediate Effect Acts	1915	500	144	248 53
	Immediate Effect Acts	1917	1,000	212	287 28
	Public Acts	1915	14,000	1,332	12,551 66
	Motor Vehicle Licenses	1916	750	2,688	7,319 44
	Licensed Chauffeurs	1916	500	220	419 21
	Motor Cycle Licenses	1916	500	188	342 69
	Laws, Births, Deaths and Marriages	1916	1,000	60	158 18
	Crop Reports	1916	3,200	148	496 51
	Juvenile Laws	1916	500	68	77 88
	Revision Laws Support of Poor	1916	1,000	148	336 83
	Laws Relative to Old Soldiers	1916	1,000	36	73 79
	Laws, Insane and Feeble-Minded	1916	1,000	232	385 02
	43rd Annual Abstract Relative to Insane, Deaf and Dumb	1915	425	28	107 50
	Abstract Superintendents of the Poor	1916	425	16	56 00
	48th Annual Report Births, Marri- ages and Deaths	1914	500	232	963 23
	Primary Election Laws	1916	7,000	52	221 84
	General Election Laws	1916	7,000	328	1,374 74
	Insurance Laws	1917	5,000	208	847 05
	Game and Fish Laws	1917	50,000	16	424 05
	Laws Governing Manufacturing and Mercantile Corporations	1917	2,500	44	151 63

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DEPARTMENT.	KIND.	Year.	No. Copies.	No. Pages.	Cost.
Commission on Compilation of Gen- eral Laws.....	Volume 1.....	1916	19,999	2,009	24,993 21
Spanish War Veterans.....	Annual Report.....	1916	1,000	52	131 58
State Sanatorium.....	Biennial Report.....	1915-16	700	58	158 19
State Veterinary Board.....	Annual Report.....	1916	2,500	64	292 82
Superintendent of Public Instruction.	Annual Report.....	1916	7,700	316	2,630 39
Michigan Department G. A. R.....	Annual Report.....	1915	800	192	357 29
	Annual Report.....	1916	800	175	352 59
Weather Bureau.....	Mo. Bul. and An. Summary.....	1915	1,000	.....	1,321 79
	Mo. Bul. and An. Summary.....	1916	1,000	.....	1,361 42
					\$162,460 98

Cost of paper is included in each.

STENOGRAPHIC REPORT OF EXAMINATION OF STATE OFFICES

Auditor General's Department.

Mr. Lord: Mr. Fuller, when did you become Auditor General?

Mr. Fuller: January 1st, 1909.

Mr. Lord: How many employes were in the department at that time?

Mr. Fuller: 126.

Mr. Lord: What was the total cost of the clerical force that first year, or for the year previous to your becoming Auditor General?

Mr. Fuller: \$110,558.01.

Mr. Lord: And the number of employes that you have at the present time, Mr. Fuller?

Mr. Fuller: 101.

Mr. Lord: That is leaving out yourself, Mr. Hamilton and your deputy?

Mr. Fuller: 104 altogether, counting the three inheritance tax examiners.

Mr. Lord: What was the cost of clerical help during your last fiscal year?

Mr. Fuller: \$85,000.00.

Mr. Lord: What activities of this department did you have in 1909, when you became Auditor General, that have been eliminated or taken away from the department since that time?

Mr. Fuller: Don't know of anything.

Mr. Lord: You have everything now in the department that you had at that time?

Mr. Fuller: Yes.

Mr. Lord: What additional activities have you now—what increase in the amount of work that you have to do, that is by class, or classes or work?

Mr. Fuller: Well, the accounting system has been enlarged by taking in the boards and commissions that never had been handled by this office. When I first was Auditor General, the only account was state institutions, now there are fifty boards and departments that have been added. Then, there is the mortgage tax collection, the tonnage tax on vessels, liquor license (this will be taken away next year most likely); medical treatment of children has increased materially. The number of different vouchers that have to be handled during the year, are three or four, yes, ten times as many as we used to handle.

Mr. Lord: Will you explain about the treatment of these indigent children, the procedure of getting them to the institution, method of payment for maintenance, etc.?

Mr. Fuller: The reason for the increase in the expense is on account of acts passed by the legislature that have increased the number of children that are eligible. When the law was first passed, it only took care of the children afflicted with malady at birth and requiring the certificate of the physician acting; then they later let down the bars by taking an affidavit of any physician; then, later on, the law was made to include all children so afflicted whether the malady was at birth, a week old, or a later time.

Mr. Lord: How is their maintenance handled?

- Mr. Fuller: By the Judge of Probate. We pay on his approval, although we haven't paid all the claims; we have sent a good many back for correction.
- Mr. Lord: These new and increased activities, to what extent do they necessitate additional help in your offices?
- Mr. Fuller: Well, take for instance, the assessment of mineral reservations. While in existence, it cost us \$25,000.00. More than that, because we had to spend some time on the records to charge back the unpaid taxes, and there was an increase in the advertising and in the clerical work on account of it. We paid about \$15,000.00 for advertising, so that it would be \$40,000.00 that it cost the state.
- Mr. Lord: Now then, the additional work in the collection of mortgage taxes; the increase in inheritance tax collections and the tonnage tax on vessels, has necessitated additional help, has it not?
- Mr. Fuller: Yes. The legislature authorized me to increase the inheritance tax force, but the force is back again where it was before, so we have saved the state \$2,000.00 a year for a man's salary we don't need. Where we don't need people, we don't put them on. One thing I have done that has cost considerable money is the plats. The law provides that the plats should be on file, but we were hampered by not having the plats and it meant considerable expense to the counties to furnish them. I sent out men from this department and made copies of six thousand plats that we did not have. I tried to get it done by engineers, but the best price I could get was \$5.00 a plat; I sent out men from here and got them at a cost of about 62 cents each.
- Mr. Lord: Now, Mr. Fuller, tell us about the increase in vouchers, the number handled?
- Mr. Fuller: Well, for instance, the Public Domain Commission used to spend about \$70,000.00 a year and now spends \$140,000.00 a year; and those and all other vouchers have to be signed personally by me, which is some additional work in the office.
- Mr. Lord: Have you any idea, or rather can you tell the number of vouchers that went through your office the first year you were Auditor General and the number of vouchers that went through last year?
- Mr. Fuller: No, I haven't got that. They are numbered, but a great many are included in one number; for instance, No. 11102 might mean one voucher and No. 11103 might mean two or more vouchers. There were approximately 100,000 last year. I have hesitated a long time about putting on an additional clerk as Voucher Clerk to keep a record of the number of vouchers for every institution, and others, and I have about decided that I will. We could then tell the date, etc., of all vouchers; what George Lord gets, or what anybody else gets. I have hesitated, as I don't like to incur additional expense.
- Mr. Lord: Is your office under the state graded salary law?
- Mr. Fuller: Yes. There are ten statutory positions in the department, the others are extra clerks. I carry the clerks in two divisions; clerks on taxation work, and on accounting and the deputy's room.
- Mr. Lord: You made the statement to me at one time, Mr. Fuller, that you thought there were too many people working for the state. Does that have any reference to your department?

- Mr. Fuller: What I said applied to the commissions that we have who send out men around the state. It has occurred to me that if a man was going into a town to examine the conditions of a factory, there is no necessity for another man to go and examine a fire escape or a hotel; it looks to me as though there were too many employed in these different departments.
- Mr. Lord: I asked that question to find out whether any clerks have been thrust upon you in your department. What are the qualifications for a position in your department?
- Mr. Fuller: There are not any.
- Mr. Lord: Are they appointed on politicians' recommendations or recommendations as to their ability?
- Mr. Fuller: No and yes. When I need a clerk, for instance, I would ask you if you knew of anybody, and if you said "yes," I might take him, but, if I didn't need a clerk, I wouldn't take him if he had all the backing in his county.
- Mr. Lord: What course do you follow when you find you have any incompetent help?
- Mr. Fuller: Well, of course, some of the clerks don't amount to much, and we don't always keep them, but, under the graded salary law, it pays to have a few of those clerks. If you recognize the ability of your better clerks where you are limited to an average salary, where somebody is above, why somebody has to be below.
- Mr. Lord: Do you appoint any clerks in the department without political influence?
- Mr. Fuller: Well, political influence used to govern entirely, but only recently I have sort of gotten away from it as much as possible. It is true that the best clerks are those that have no political backing.
- Mr. Lord: Well, that has been the weak point in the method of getting help in the capitol; political influence has been brought to bear too much.
- Mr. Fuller: Men and women come to me and tell me, "Why, you must let these people go and put on somebody else for the sake of politics; my county has never had anybody here and we demand that you let somebody else go and give someone else recognition."
- Mr. Lord: Did it used to be a requirement that the chairman of the Republican Committee had to endorse the application of a clerk?
- Mr. Fuller: Don't know as to that—not since I have been here. I have tried as much as possible to get as many counties in the state represented as I could—this is a state institution. Of course, Ingham County (and it would be the same with any capitol county) has more people than any other county.
- Mr. Lord: Tell us about vacations of your clerks—what they are allowed?
- Mr. Fuller: The vacation allowance is too much. There is no state, nor municipality or government, that gives the clerks the vacations that the state of Michigan does. Twenty-four days a year is more than they would get anywhere else, and they look on it as a vested right. In exceptional cases, we do allow more than twenty-four days to those that have hard luck or something like that. These vacations cost the state \$60,000.00 a year for payment of time that it does not get the benefit of. In this department alone it amounts to \$7,000.00

or \$8,000.00, and it is wrong, absolutely wrong. The clerks work only seven hours a day, you know. One of the features of vacation is that your better clerks rarely take the full amount. Some of our good clerks will have only eight or ten days a year and our poor clerks will take fifty if they can get them.

Mr. Lord: Now, Mr. Fuller, do you know where you can save any expense in the conduct of your department; do you know how and where you can reduce costs and maintain the efficiency of the department?

Mr. Fuller: No, I don't know just now. I try to reduce all that I can at all times.

Mr. Lord: Have you ever tried any machines for computing interest?

Mr. Fuller: We have some of those machines that we use right along in the department. Mr. Hamilton has a Brunswick. Guess he had it before anybody else had one. Since then, Mr. Humphrey in the tax department got one. Also has a comptometer.

Mr. Lord: I notice that you get about 100,000 duplicate tax receipts during the year. Is there not some way the County Treasurer could make a report to you without sending in all the duplicate receipts? Doesn't this fill up your office with a lot of stuff? It seems a rather cumbersome method.

Mr. Fuller: No, I don't think so. Don't think any other way would answer the purpose.

Mr. Lord: Couldn't they be copied on a big form?

Mr. Fuller: But we would not have a copy of the tax receipt.

Mr. Lord: But the County Treasurer would have a copy on file. All anyone would have to do would be to go to the County Treasurer.

Mr. Fuller: But they do their business here. I don't think it would do. For instance, if a man paid his taxes to the County Treasurer at a certain time, and later inquired here about them, we could, under the present system, turn back to the duplicate receipt and see the exact description that he paid it on. The other way might be less cumbersome, but it would not be as authentic information.

Mr. Lord: Could you make it authentic by engaging an examiner to verify them?

Mr. Fuller: You would not want to wait until I sent a man to Mason, would you, and that is the nearest county seat to Lansing. You see, it is not so much the error of the County Treasurer as the man paying taxes on the wrong description. I got a law through the legislature last winter which will help avoid errors, I believe, because I have provided for triplicate instead of duplicate receipts. Heretofore a tax receipt has been given the person paying his taxes and the duplicate sent us. Now I have provided for a triplicate for the County Treasurer to have in his office, and this will show exactly what he took the money on.

Mr. Lord: It struck me yesterday and also the other commissioners, as well, that it was rather a cumbersome procedure.

I think a very important thing, and one you know a good deal about, is what duplications of work exist between the several departments of the state government. For instance, between your department and any other department.

Mr. Fuller: The work of this department and the work of the Board of Auditors in auditing accounts is practically the same. Where we pay the claim that has gone through the Board it means that we go over the same ground the Board has gone over.

Mr. Lord: What are your ideas for remedying this condition of affairs?

Mr. Fuller: Perhaps the Board of Auditors wouldn't appreciate what I say, but I don't think it should be necessary for them to have the clerical force doing similar work done in this department.

I don't think there should be any divided responsibility in the matter. I think the Board of Auditors should be maintained; it is absolutely necessary to have the Board to pass on bills where the policy of the state would be called into question, like the water supply at Jackson. The state should pay it, and it was done; also execute contracts, etc., it is absolutely necessary to have such a board for that. But the idea of having as many, or more, clerks than we have here for auditing is not right.

Mr. Lord: It certainly is a duplication. Do you know of any other duplication of work between departments?

Mr. Fuller: There is a duplication between this department and the Public Domain Commission in the matter of examining land. There is no sense in sending a man out to examine land to deed to the state, and then another man to deed the same land from the state to the purchaser. I am allowed to pay \$3.00 a day for men to examine land. Their men are working on a salary of \$3.00 to \$5.00 a day and they get their full month's salary, and soak me \$4.00 or \$5.00 a day for the work they do for me.

Mr. Lord: How many of those deeds do you issue, on an average, during a year?

Mr. Fuller: We issue about 10,000 a year. It seems to me that this work could all be done by men working for the Public Domain Commission. It would save approximately \$5,000 a year.

Mr. Thompson: Mr. Fuller, the present system is to deed forfeited tax lands to the Public Domain Commission?

Mr. Fuller: Yes.

Mr. Thompson: What is the reason that that should be done?

Mr. Fuller: The Public Domain Commission took the place of the land department.

Mr. Thompson: Why couldn't they be handled from this department?

Mr. Fuller: They could. We could just as well sell from our records as to make a copy of the record and give it to somebody else to sell from.

Mr. Thompson: What are the elements that it adds to the expense?

Mr. Fuller: Practically the entire force of the Public Domain Commission, the clerks. One man here with the records we have could do all the ten people over there could.

Mr. Thompson: How about the cost of making and recording the deeds, would that be sufficient to consider in that manner?

Mr. Fuller: It would not cost much to make the deeds.

Mr. Thompson: How many clerks from your department do you have to make the deeds?

Mr. Fuller: Three who deed all the lands that are deeded to the state, but they do other work also.

- Mr. Thompson: What does it cost to record these deeds?
- Mr. Fuller: Fifty cents each.
- Mr. Thompson: What proportion of the Public Domain's land work is devoted to tax forfeited lands?
- Mr. Fuller: Practically all of it; they have very little land now.
- Mr. Thompson: Would you recommend that they be handled by the Auditor General?
- Mr. Fuller: At the time the land department was abolished, I advised letting it alone because it would not be only a short time before the land department would go out of business by its own weight.
- Mr. Lord: You could take over the larger part of the work done by the Public Domain, couldn't you?
- Mr. Fuller: Insofar as the sale of state lands is concerned, yes.
- Mr. Thompson: Would it be necessary to have an agent through the state to take care of the other business that the Public Domain handles?
- Mr. Fuller: They handle the forestry. Have seven state forests. They are re-foresting in some places and in other places are protecting the forests from fires, etc. We can't find fault with that. However, they started in with an appropriation of \$15,000.00 in 1911 and now they are getting \$160,000.00 this year and \$140,000.00 last year.
- Mr. Lord: What ideas have you relative to the consolidation of commissions, boards and departments? What boards and what commissions would you have consolidated in order to save expense and to increase efficiency in the work of the state?
- Mr. Fuller: Well, I am not prepared to say who should be put out of business. Don't know as I have any recommendation on that.
- Mr. Lord: You rather think there are too many commissions and boards?
- Mr. Fuller: We have enough, and they have too many agents doing different classes of work. One man could do more than one thing at a time. They have their special agents for this thing and that thing, and it looks as though one man going to a town could do a lot of things.
- Mr. Lord: What do you mean by that?
- Mr. Fuller: Well, as I mentioned a while ago in the case of the hotel and factory, what is the use of two inspectors going to the one town?
- Mr. Lord: In the matter of the handling of cash by state institutions, have you any suggestions to make as to improvement in methods?
- Mr. Fuller: I certainly don't think that the present system of depositing money in the treasury of each institution is good. In the first place, if a bill would come here before it was paid, I think there are a good many bills that would be reduced materially; but if two, three or four men are together and nobody knows what they are doing, and a bill comes in for a certain price for a commodity, they pass it; but if that same thing had to come up here or somewhere else, where it would be criticised, they might be more particular with their dealer and get better prices.
- Mr. Lord: Your suggestion is that the money remain in the State Treasury, except that an institution should be allowed a certain amount for petty purposes?

- Mr. Fuller: At the time we had to send out and borrow \$150,000.00 and had to pay interest on it, there was one half million dollars of state money in the various treasuries of state institutions that we could not touch at that time.
- Mr. Lord: What interest did you pay?
- Mr. Fuller: Not much, $2\frac{1}{2}\%$, I believe. When we audit claims of the state institutions, our audit does not amount to much. When we audit the claim the other fellow has the money. This morning I instructed Mr. Hamilton to send some bills back to the State Board of Education and tell them they would have to make some items good or next time we would not pay them.
- Mr. Lord: We have discovered in visiting the Normal Schools that there is charged to the appropriation made to the Normal School a certain amount for salary for the treasurer of the State Board of Education; is that legal?
- Mr. Fuller: I think the matter is under the jurisdiction of the State Board of Education. The appropriation is made to the Normal School and handled by the Board of Education.
- Mr. Lord: Can they use it for purposes outside of what the appropriation is for?
- Mr. Fuller: There is so much for special purposes and so much for current expense items.
- Mr. Lord: You say the State Board handles the money?
- Mr. Fuller: Yes, and deposit is made in local banks for the normal schools under direction of the board, of course.
- Mr. Lord: Do you like that way of doing business?
- Mr. Fuller: It is lame, of course. Take the Treasurer of the institution at Coldwater. We pay him \$600.00 a year out of the general fund, and the Secretary of the College gets \$1,000.00 a year out of the general fund; now, those things ought to be paid from the appropriation made to the institutions.
- Mr. Lord: Your opinion is that it is altogether too much of a drain on the general fund of the state?
- Mr. Fuller: Well, it is perhaps the fault of the legislature. They make appropriations for different departments, then put in a clause that they may draw this and that from the general fund. For instance, the Labor Commissioner gets \$40,000.00 to \$60,000.00 a year, but some things come out of the general fund, such as printing, binding, etc., so that you never know how much the institution or department is costing.
- Mr. Thompson: What do you think of the policy of the state building private hospitals in connection with general hospitals?
- Mr. Fuller: It's all bunk. I told the Governor so at the time.
- Mr. Thompson: Have you given any thought as to the employes of the state institutions buying from state stores? What do you think of that practice?
- Mr. Fuller: It is not good in some cases, and yet what harm does it do? It is not a good plan, there isn't any question about that, but when you get down to it, who is hurt? The policy is wrong, but who is hurt? I had some cases of that in this department, and while I was stopping it, I did not think anybody was being hurt.

- Mr. Thompson: How about the title to deeds and title to state property?
- Mr. Fuller: They ought to be here. We have some cases where we don't know whether it belongs to the state or not. The title to all property should be filed in this office.
- Mr. Thompson: There are a number of institutions that you have no deeds for, are there not?
- Mr. Fuller: Well, some of the titles are here, the Secretary of State has some. The Industrial School for Boys had to go, not long ago, to the Register of Deeds and have a certified copy made of their deed.
- Mr. Lord: Going back to the handling of cash by state institutions, what disposition is made of unspent balances at the end of the fiscal year?
- Mr. Fuller: It goes back into the general fund. We charge out the 15th of December following the end of the fiscal year. Take the Michigan School for Blind. It has \$10,000.00 left at the end of the fiscal year. It can use it between then and December 15th; that is, between July 1st and December 15th, to pay bills incurred before June 30th. If it has not paid out money by December 15th, we charge it back.
- Mr. Thompson: Who prepared the general purpose bill?
- Mr. Fuller: Hamilton prepares it.
- Mr. Thompson: Do you investigate any as to the amounts due the state for the support of insane or other state patients; where their relatives are, or who should take care of them?
- Mr. Fuller: We do not.
- Mr. Thompson: Don't you think it would be well to do so?
- Mr. Fuller: The heads of the institutions are required by law to report, and in cases where they do, we turn it over to the Attorney General. The last legislature suggested the idea to go out and investigate, but there was a doubt as to whether there would be enough to pay the salary of an investigator.
- Mr. Thompson: What do you think of the fire insurance fund in the state?
- Mr. Fuller: I am not in favor of it, don't think it was necessary, think the whole thing was poor. Under the old system there was always \$100,000.00 the Board of Auditors could use to replace; and up to the burning of the school at Flint it never exceeded \$6,000.00 a year.
- Mr. Lord: I think as you do that the former system is best.
- Mr. Fuller: It makes a lot of unnecessary bookkeeping and you come out where you went in.

State Accountant.

- Mr. Lord: Now, Mr. Hamilton, please state to the commission in a general way what your duties are.
- Mr. Hamilton: Computing the state tax, taking care of all the vouchers, receipts and disbursements of the state institutions, also of a good many of the boards that have to file accounts with us, and we have complete charge of the funds that go to the institutions. We also have charge of the inheritance tax work. The inheritance tax examiners are all under our charge. We also settle with all the County Treasurers.

- Mr. Lord: Do you prepare the blanks, etc., used by the state institutions and others?
- Mr. Hamilton: Mr. Woodhouse has charge of all printing of vouchers, blanks for County Treasurers, state institutions, etc.
- Mr. Lord: Do you make up the forms in this office?
- Mr. Hamilton: Well, if any of the institutions or state departments want blanks, they apply here. The actual printing is done under state contract, but the forms are made up here.
- Mr. Lord: Do all the institutions use the same form vouchers?
- Mr. Hamilton: Vouchers for state institutions practically are all made a certain way; the form is prescribed by the Auditor General according to law.
- Mr. Lord: Do you do all the auditing for the state institutions and boards?
- Mr. Hamilton: We audit the accounts of the state institutions and boards insofar as it refers to the funds that they obtain from the State Treasurer.
- Mr. Lord: Do you require a report of receipts from sources other than from the State Treasurer and, if so, what is the nature of your audit of such receipts?
- Mr. Hamilton: They file their reports with us for receipts and abstracts of receipts. If for instance, there were earnings from the greenhouse, or the sale of products from the farm, they would have to account for that in that manner. In fact, our audit consists of an audit of all reports that they make to the accountant's office.
- Mr. Lord: The hospitals in their reports to the Auditor General are required to give the name and address of each patient; what is the object of this?
- Mr. Hamilton: It is absolutely necessary that we have this information in order that we know from what county every patient is from. You understand that they are county charges for a year, and after that they become state charges.
- Mr. Lord: What is the method of disbursing the moneys appropriated to state institutions?
- Mr. Hamilton: All state moneys are disbursed by the State Treasurer on warrant of the Auditor General. These disbursements are made periodically. Every institution has to file an itemized statement every three months showing for what purpose moneys have been expended. For instance, every institution is supposed not to have more than 25 per cent on hand of the amount previously drawn when it makes another request for money to cover current expenses. When such a request is made, we immediately look up the account and ascertain what amount the institution has on hand, and thus try to keep them to the 25 per cent limit. If it is a fact that the institution has more than that on hand, we ask for advanced vouchers—vouchers that have been previously paid and not forwarded to us.
- Mr. Lord: Is there any chance for a state institution to spend more money than the amount appropriated for current expenses?
- Mr. Hamilton: No; it cannot spend any more. Sometimes when it is absolutely necessary to do so, the Auditor General advances an institution money and the amount advanced is deducted when the next

installment is sent to it. In emergency cases the Auditor General has authority to use his own judgment.

Mr. Lord: What is the method of disbursing special appropriations?

Mr. Hamilton: On the requests for special appropriations, there is an oath at the bottom, signed and sworn to by a majority of the members of the board, that these funds are wanted for the current month. Boards have made that statement and then not used the money for six months.

Mr. Thompson: When we were at Kalamazoo they stated that they owed \$69,000.00 for current expenses and could only at that time (early this month) get \$35,000.00 from the state, which would leave them owing about \$35,000.00 and the first of next month another \$70,000.00.

Mr. Hamilton: We have already advanced them \$30,000.00 or \$40,000.00 above their per capita; we have to do this on account of purchase of coal and other commodities that have advanced so in prices. However, the Joint Board of Trustees of State Hospitals has advanced the per capita rate to 71 cents so that we expect to get this paid back when they draw the moneys at the advanced rate. Their per capita last year was 53 cents.

Mr. Lord: What is the order of procedure in auditing the accounts of the various institutions?

Mr. Hamilton: Mr. Griswold and myself do the auditing. Sometimes we do it together but usually one of us does the work, sometimes taking a clerk with us. We go to the institution and ask to see its accounts current. We take that account current and see how much money it has on hand, then we get statements from the banks showing what its balances are; then we go back to the institution and take its accounts from that time on up to date and see how much it has spent and how much it has received. We then count cash on hand. We also examine its voucher registers and see what outstanding vouchers it has and give it credit for them.

Mr. Lord: Do you have any knowledge of what each institution owes?

Mr. Hamilton: We never know how much any institution owes. It would be an immense job to find out but most of the institutions pay right up to date.

Mr. Hamilton: For instance, I have just had a letter from Jackson Prison telling what their bills receivable and bills payable are.

Receivable Sept. 1st, \$410,746.36.

Payable Sept. 1st, 801,488.92.

Mr. Lord: Have you ever discovered at Jackson Prison any book account showing amount of bills payable?

Mr. Hamilton: No.

Mr. Lord: As an actual fact, do you know that it has ever had any book account?

Mr. Griswold: I never saw one.

Mr. Hamilton: This is the first statement I have ever got from that institution. I started making requests for same when it first started its revolving fund in 1907.

Mr. Lord: After a lapse of ten years you have its first report—the first

you have ever received of the amount of indebtedness of the institution.

Mr. Hamilton: I will say this for Jackson Prison. I don't think I ever went there and checked them out that we did not come out within a few cents of the amount the institution had on hand in the banks, but insofar as to what its assets and liabilities were, we knew nothing, and don't today.

Mr. Lord: Did you ever make a verification of any earnings of the institution?

Mr. Hamilton: All we know is that it don't draw any money for current expenses, but as to how much it is in debt, we did not know until we got this statement.

Mr. Lord: Would it not be possible for you to audit its accounts and get this information?

Mr. Hamilton: It would be a tremendous job because the volume of business is so great.

Mr. Lord: Well, take the Reo Manufacturing Plant for example, it would not be a very difficult matter for their accountant or bookkeeper to ascertain what the earnings are, why should it be for a state institution?

Mr. Hamilton: Well, it is different with an automobile concern; they make only one thing; the prison runs a large number of farms and when you come right down to know what the farm pays, you have a hard proposition.

Mr. Lord: You could have a ledger account of receipts and expenditures for the farm and strike a balance at any time, couldn't you?

Mr. Hamilton: They have had no general ledger accounts. Of course, the accounting laws don't require that; they require the voucher system.

Mr. Lord: We have a law in this state requiring the Auditor General to prescribe and establish a uniform system of accounting for state institutions; have you ever complied with the requirements of this law?

Mr. Hamilton: That does not wipe out the voucher system. We have tried to adopt a uniform system with what help we have had, but the main point in that law was the uniform system for county officers which was wiped out by the proviso that the counties need not come under it unless they voted too.

Mr. Lord: You say you have established a uniform system of accounting?

Mr. Hamilton: The same system we have always had.

Mr. Lord: Is there an institution in the state that has a complete system of books such as you would have if you were operating a private business?

Mr. Hamilton: I don't believe you can run a state institution the same way as you would a private concern. You could have a set of books at the state institutions, but, of course, we have not required the books. We have the voucher system and they account to us in that way for all the money they draw from the state or from other sources.

Mr. Lord: Take Jackson Prison, for instance; in September the prison was in debt \$800,000.00 gross, and had a net indebtedness of

\$400,000.00. Don't you think the system of bookkeeping in that institution should be such that it would be possible for the state to ascertain exactly what the aggregate indebtedness of the institution is, and the nature of such indebtedness? Isn't it a fact that, under the present system, this information is difficult to get and that the only way it can be ascertained is the opening up of a new, complete, modern system of bookkeeping?

Mr. Hamilton: No question about it, that is right.

Mr. Lord: Now, Mr. Hamilton, don't you think it is right and proper that the people of the state should know just what every institution is doing by way of borrowing money and otherwise incurring indebtedness? You remember that, while on a recent visit to the prison, the Budget Commission asked the Warden if he knew the actual amount the institution was in debt, and his answer was that he did not know, but hoped to find out by the first of next July. Mr. Hamilton, what would be your remedy for this state of affairs?

Mr. Hamilton: That is a question, and a big question. The only remedy would be to have a complete itemized account of bills receivable and bills payable with each institution that we do business with.

Collection of Fees, Etc.

Mr. Lord: Under our laws, as you know, several of the commissions, boards and offices of the state, collect a considerable amount of money in fees, which money is credited to the particular board, commission or office making collection, and is used for payment of its operating expenses. This constitutes a sort of sub-treasury of the state. If this system was abolished and every department and institution of the state government was obliged to pay its current expenses from a legislative appropriation, and all fees collected turned into the state treasury and credited to the general fund, what kind of a voucher system would take care of it?

Mr. Hamilton: We were confronted with this and I believe it would work a hardship not to allow them to have some funds on hand.

Mr. Lord: I am speaking of boards and commissions that collect certain moneys.

Mr. Hamilton: Under the new law, it is turned into the state treasury now, but credited to that particular commission.

Mr. Lord: What supervision do you have over the appropriation made to the Michigan Agricultural Fair Commission?

Mr. Hamilton: The treasurer files with us a bond before he can draw the money. He pays each fair whatever the commission says the fair should have and he files with us an itemized statement of all expenditures, and a list of the fairs that receive money. If there is anything left he turns it back into the treasury. A year or two ago they drew the money and held it quite a long time, but this year Mr. Fuller and I talked it over and we would not let them draw it in advance of their needs.

Mr. Lord: Where is this money deposited?

Mr. Hamilton: The money has been deposited with the Grand Rapids Trust Company. The state got interest on the deposit.

Mr. Lord: Mr. Hamilton, you can now make that corrected statement in regard to report of bills payable and receivable.

- Mr. Hamilton: I think I stated this morning that we received no report from the institutions relative to bills payable and receivable. We don't insofar as our own knowledge is concerned, but we do receive, under Act 183 of the Public Acts of 1911, an annual statement which is supposed to show the amount of bills receivable and bills payable at the end of the fiscal year, which is June 30th. In some cases they have not always furnished it.
- Mr. Lord: When did you get the first statement from Jackson Prison showing bills payable and bills receivable?
- Mr. Hamilton: We received a statement in the aggregate in 1913; that is the first we got after this law of 1911 went into effect.
- Mr. Lord: So that you requested it following the session in 1907, but got it in 1913 in aggregate form?
- Mr. Hamilton: Of course, this was a verbal request I made in 1907.
- Mr. Lord: We would like to get your idea as to what should be done in regard to the condition of affairs relating to state sub-treasuries.
- Mr. Hamilton: I would rather not give that off-hand. I would like to think it over a little as I have not given it much attention. Of course, I have an idea in a round-about way, but I would prefer to let that pass for the present if you could. You refer now to having funds put into one general fund in the state treasury?
- Mr. Lord: All bills of every kind or description to be paid by the State Treasurer, and all moneys collected to be paid into the state treasury.
- Mr. Hamilton: All moneys collected under the 1917 law are supposed to be turned over to the Treasurer and I think the state boards are complying with that request—most of them.
- Mr. Lord: You say that all the fees are turned in now. Is it not a fact that the State Board of Accountancy and the State Board of Examiners of Osteopathy, and three or four other boards, do not turn in any money at all, but use it to meet their expenses?
- Mr. Hamilton: If there is any balance left, they turn it in to the treasury, but they do pay their own expenses out of the fees.
- Mr. Lord: Does that condition exist in spite of the act of 1917?
- Mr. Hamilton: No.
- Mr. Griswold: About the only board that did not turn it in as they were supposed to was the Board of Pharmacy; they insisted on keeping their money notwithstanding that we asked them to turn it in.
- Mr. Hamilton: There are one or two boards that we have no control over, whatever. They handle their own funds; for instance, the Board of Dentistry. That is the only board I know of that don't turn its balance in at the end of the year. It collects its own fees, from which it pays its own expenses. This board makes its report to the Governor and not to the Auditing Department of the state. There is no law that requires it.
- Mr. Lord: Have you any knowledge whatever of the aggregate amount of fees collected by that board?
- Mr. Hamilton: They publish, or did publish, the first year or two they were in existence, a report that showed the number of registered dentists and I am quite sure that it showed the amount they had collected but I could not substantiate that, Mr. Lord. In fact, the board never sent in any report to this office. The law creating the

board is silent on the subject of what shall be done with its surplus, if it has any.

Mr. Thompson: It might be wise to ask the Attorney General for an opinion of this subject.

Mr. Lord: Personally, I would say off-hand that they would have to come under the general law. Mr. Thompson's suggestion is a good one, to get an opinion from the Attorney General.

Mr. Hamilton: I think you are right without his opinion. The law just went into effect in August and we have not had much time and have not asked them much about it.

Mr. Lord: Have you asked the Dental Board for a report?

Mr. Hamilton: I don't think that they have been asked. But I can't see any reason why they would not come under the general law the same as any other board.

Mr. Lord: Mr. Hauser, have you a record of those that comply with that act?

Mr. Hauser: Yes.

Mr. Lord: Will you have your stenographer make a list of those who complied and those who have not been heard from?

Mr. Hauser: Yes.

Mr. Lord: Tell us, Mr. Hamilton, in a general way what the duties of your department are in regard to the inheritance tax.

Mr. Hamilton: Well, the law went into effect in 1899 and has been amended nearly every session of the legislature. It is all under the supervision of the Auditor General, who is allowed to appoint not to exceed four examiners who visit the several Judges of Probate throughout the state and ascertain from their files the estates from which an inheritance tax is due. They assist the Judge, when he desires them to, in determining the tax.

Mr. Lord: How many men have you now?

Mr. Hamilton: We have only three now.

Mr. Lord: What are they paid?

Mr. Hamilton: \$2,000.00 a year and expenses. We have one man for Wayne and Kent Counties; spends all his time in those two counties.

Mr. Lord: What are the approximate costs for the year of this work?

Mr. Hamilton: It would approximate \$12,000.00 a year, and we took in the last fiscal year \$700,000.00 in inheritance taxes and interest. Of course, that all goes to the Primary School Fund so the general fund really suffers. We have received of late years a very large income from foreign estates owning stocks in Michigan corporations. For the sake of convenience these are brought before the Ingham County Probate Court.

Mr. Lord: What is the idea of having one department collect the inheritance tax and another department collect the mortgage tax, liquor tax, railroad tax, etc.? Does the law state that the State Accountant shall collect the inheritance tax?

Mr. Hamilton: The law simply states that the Auditor General shall collect the tax.

Mr. Lord: Why not have one department; for instance, the State Accountant or Deputy Auditor, have charge of the collection of all taxes? Would it not be more uniform?

Mr. Hamilton: It would be a great responsibility on one man. It all

goes on one set of books upstairs. Mr. Hauser has general supervision of the books and over the entire force. There is nothing in the law creating these new divisions; we have established them for convenience.

Mr. Lord: What taxes do you handle, Mr. Hauser?

Mr. Hauser: Mortgage tax, tonnage tax on vessels, railroad tax, telephone tax, etc.

Mr. Lord: Mr. Hamilton, what report do you make when you collect the inheritance tax?

Mr. Hamilton: The letter comes down to me with the money and the order, one copy for us and one for the Judge of Probate. We fill it out here, take it up to the bookkeeper. It is countersigned by Mr. Hauser, as Deputy Auditor, and the receipt of the County Treasurer attached to it.

State Institutions' Farm Accounting:

Mr. Thompson: In one or two cases I have found that it has been the custom to charge up all the products of the farm to the institution and credit them to the farm manager; is that a uniform practice?

Mr. Hamilton: Yes.

Mr. Thompson: That is, if I were the farm manager for the institution in question, and I produced \$1,000.00 worth of products, the method would be to credit me up with \$1,000.00. Do you think that is the best way?

Mr. Hamilton: It works out very satisfactory. There is no question but that improvements could be made, but you gentlemen must bear in mind that a state institution is different from a manufacturing plant. The Reo plant is simply manufacturing one article, whereas the Jackson State Prison manufactures various articles. This farm question is a puzzle to me, it always has been. It is a question to me as to whether these fancy heads of cattle pay or not. They claim they do. To successfully handle the State Prison so that the Auditor General's department would know where they are at all the time, I believe it would require a special accountant from this department at the prison all the time.

Mr. Lord: Don't you think that this fact alone, that you would have evidence of the indebtedness of the institution, would make it worth the cost of a special accountant from this department?

Mr. Hamilton: I don't believe that any firm of certified accountants would or could find out exactly where they are at in three months' time.

Mr. Lord: If you had a proper system of accounts, you would not have to take three months or three weeks to find out where they are at?

Mr. Hamilton: I do not know, perhaps you are right, but I would have to be shown.

Mr. Thompson: What suggestions have you to make as to changes in laws or practices that will benefit the state of Michigan?

Mr. Hamilton: Most every state institution has laws that have been passed that sort of refer to that one institution. This would all have to be eliminated, in my judgment, and a law enacted for each class of institutions.

Mr. Hauser: About one-half of the laws on the statute books ought to be repealed and replaced by a general law, classifying them along the same line.

DEPARTMENT OF STATE.

Vital Statistics Division: William F. Petrie, Chief.

Mr. Lord: Mr. Petrie, will you state, as briefly as possible, what work you do here in your division?

Mr. Petrie: This division has charge of the records of all births, deaths, marriages and divorces occurring in the state. Births and deaths, the original certificates of which are returned to us monthly; that is, every township, village and city clerk and, in some instances, the health officer of the city, make their returns to us on the 4th day of every month. Marriages are returned to the department quarterly; that is, the county clerk issues a license for the marriage, enters it in the book, and when marriage is returned, he completes the record, and if everything is complete at the end of the quarter, he makes a transcript of that record and sends to us; divorces are also returned to the department yearly, on the 1st of February.

These records of births, deaths, marriages, divorces, etc., are all arranged and filed by counties, alphabetically, by townships, villages and cities. Every certificate has a registered number and that number is continued throughout the year, consecutively from number one on the first birth and first death, up to and including the last one in December. Those are put in books by years. Marriages or transcripts of records of marriages are bound also in books, just as originally received from County Clerks.

Mr. Lord: What uses are those records put to after you receive them in this department and have them bound?

Mr. Petrie: Before they are put into volumes, I issue a bulletin of Vital Statistics every month, in which we show the number of deaths from each county and city separately, and also show the number of deaths during that month for the last one, two, three or four years; also show the number of deaths from diseases that have been described by the State Board of Health as being communicable; that is done in order to give the State Board of Health notice of these diseases. The Health Officer is required to make a preliminary report to them when the person is taken sick, and if the person dies, they are supposed to make final report to that effect. The publication of these bulletins every month has enabled the State Board of Health to find a whole lot of cases that never had been reported to them by the Health Officer. We also publish in the same bulletin the number of births occurring in every county during a month. Next, before we do any binding, we make a transcript of every death certificate for the census bureau at Washington, for which we receive a fee of three cents each, also the same with birth transcripts.

Mr. Lord: Can you tell us about the number of death and birth certificates received every year?

Mr. Petrie: Number of birth certificates is about 90,000 and the number of deaths is about 45,000. When these certificates are received, we have clerks that examine them for missing items; for instance, the

undertakers are very careless, or the doctors are, as to entering the cause of death, or it might not be entered so that it would be clear to us, and in those cases we have to make inquiries immediately as to the cause of death, etc. The birth certificates are examined by clerks as to missing items also and then examined as to date of filing. The state provides for a fee of fifty cents to physicians for filing certificates of birth, and the law requires that these shall be filed within five days in the local office. If the date of filing is beyond the five-day limit according to date of birth, we notify, first the physician, and ask for explanation in regard to delay, and then if the doctor comes forth with a good and sufficient assurance, we credit him, otherwise we do not. That is quite a job on seven or eight thousand certificates a month. We also keep an account with the doctor, showing the number filed and where he has filed them. At the end of the year, we make up a warrant showing the amount due him. This can be cashed by the physician at the County Treasurer's office.

Mr. Lord: Do you do any work here similar to that done by the State Board of Health?

Mr. Petrie: No. They get out a report of the number of deaths, which they are supposed to get from the Health Officers, but we furnish them with a transcript of the deaths caused by communicable diseases at the end of the month. If we did not, their report would not amount to very much, as the average Health Officer is not very much on clerical work, and does not make reports as he should. We do this because we think it ought to be published.

Mr. Lord: Do you publish the same thing?

Mr. Petrie: We publish an annual report; they come over here and get the stuff to make their report from. If their records don't agree with ours, they inquire into it to see why. The total number of deaths is the only similar work, I believe.

Mr. Lord: Information on returns that you get is published first in this bulletin and again in your annual report?

Mr. Petrie: This is only published monthly and shows only the actual number. We send out eight thousand bulletins every month, to registrars, physicians, universities, etc., and to any one asking to have them and whose name is on our mailing list; we send some also to foreign countries.

Mr. Lord: Approximately 100,000 published a year?

Mr. Petrie: Yes.

Mr. Lord: About how many copies of your annual report?

Mr. Petrie: Five hundred of annual report, one hundred to the State Library for distribution and four hundred we send out.

Mr. Lord: How many pages?

Mr. Petrie: In our last report 253 pages without the index.

Mr. Lord: Do you get any requests for these reports and bulletins from the general public?

Mr. Petrie: No, mostly from professional men. We have gotten a number in the last year and a half, lots more than we ever did before, from the children's bureaus, different research societies and universities, probably for general use in the libraries.

Mr. Lord: Have you any clerks in this division not up to qualification for performing their duty or duties?

- Mr. Petrie: I am frank to say that never before have I had as capable and efficient a force of clerks in this division as I have at the present time.
- Mr. Lord: Do you have any system of checking the amount of work done?
- Mr. Petrie: I am after that all the while and when I think they are not getting out enough, I make investigation and take the matter up with them. There was a time when I used to keep a record, but it has got so that it is almost impossible; they do so many other things, are transferred to different departments.
- Mr. Thompson: To what extent do you copy documents that are sent out; do you receive pay and is the copy an exact copy?
- Mr. Petrie: We receive a fee for all certified copies. I have kept an account of these fees and at the end of this fiscal year I will be able to tell you just how much money the department took in for this work. We have taken in \$40.00 since the first of August for certified copies of births and deaths; also we get \$1.00 each for secret marriages and we have taken in \$31.00 for that. We also get a fee of \$1.00 for all sub-registrar's licenses, and have collected \$11.00 for that since the first of August. Since July 27th and up to November 10th the transcripts to Washington have amounted, on births and deaths, to \$1,729.00.

Shipping Division: William L. Brush, shipping clerk of department and storekeeper.

- Mr. Lord: Mr. Brush, we are making inquiry as to the various clerks, and you will, as briefly as possible, please tell us what your duties are in the department.
- Mr. Brush: I have charge of all the shipping, everything that goes out; I receipt for and receive all supplies, keep accounts with the printing office, check up the bills, and keep up the stock. Following is a copy of record of work done by the division last year:

Received:

- 60,000 Compiled Laws.
- 16,000 Public Acts.
- 32,000 Legislative Manuals.
- 250,000 Pamphlet Laws.
- 40,000 Reports of Departments, Boards and Institutions.
- 3,000 House and Senate Journals.
- 1,500 Local Acts.
- 800,000 Blanks of various kinds.
- 200 Tons automobile supplies.
- 600 Express shipments other than above.
- 54 Freight shipments other than above.

Shipped out:

- 30,000 Compiled Laws.
- 14,000 Public Acts.
- 30,000 Legislative Manuals.
- 200,000 Pamphlet Laws.
- 40,000 Reports of Departments, Boards and Institutions.
- 10,000 Mail orders.

Looked after stationery and kept up supplies by orders signed by Secretary or Deputy Secretary of State. Attended to all shipments by freight or express. Checked up and o. k'd all bills for printing, express and freight. Have care of blanks and supplies for various departments.

Summary: Received approximately 450 tons of books and papers. Shipped out approximately 400 tons of books and papers. The shipments were as follows: 736 freight shipments and 1,234 express shipments.

Mr. Lord: When any of the divisions want anything from the shipping room, what is the procedure?

Mr. Brush: General supplies are given as they ask for them, but for anything out of the ordinary, they have to have requisitions, signed by the Deputy or the Secretary of State. The giving out of copies of laws, manuals, or Public Acts, or anything like that, requires an order; outside of that we give them out without an order.

Mr. Thompson: Do you keep any record of charges made against the different divisions?

Mr. Brush: No.

Mr. Lord: What reports and documents do you send out annually to the County Clerks?

Mr. Brush: We send out annually, the principal laws, especially a large number of fish and game laws. manuals and public acts; also blanks that they use for reports to this office.

Mr. Lord: Do you send out any annual reports of the different departments from this office?

Mr. Brush: We have a supply here, but send them out only on request.

Compiling Division: Herbert Havens, Chief.

Mr. Lord: We want to make some inquiry concerning the work of this division and would like to have you explain, as briefly as possible, the nature of its activities.

Mr. Havens: They are somewhat varied. We begin with preparing the public acts, they are followed with the local acts and, subsequent to those, the compilation of laws as required by Act, 44, Public Acts of 1899. We also prepare pamphlet laws and compile the Michigan Legislative Manual. We also get out monthly lists of automobile licenses.

Mr. Lord: Your work here all consists of the preparation of regular publications authorized by the state?

Mr. Havens: Yes. The principal work is compiling laws and the manual; also we handle nearly all the publication work of the Department of State.

Mr. Lord: You compile everything that is printed for use of the various divisions in the Department of State?

Mr. Havens: There is an exception, that of Vital Statistics and the crop report by the Agricultural Division.

Mr. Lord: Who looks after the blanks used by the corporation division?

Mr. Havens: We read the proof on most of them.

Mr. Lord: Do you make any report to the Secretary of State or to the Deputy as to the volume of work you do during the month, or during the year?

Mr. Havens: Just personal observation and report.

Mr. Lord: You are not required to make daily, weekly or monthly reports to the the Secretary of State?

Mr. Havens: Nothing written.

Mr. Lord: How does he know what you are doing? Does he make visitations and inquiries?

Mr. Havens: Yes; he is here every other day or so inquiring as to our work. In connection with the department we keep a set of county records. We have a record for each of the eighty-three counties showing original organization of the county, and go into detail showing towns, villages, and changes in boundaries, etc. Copies of amendments and copies of revised charters are filed here. I might say here also that all election returns are tabulated, filed and recorded in this office. We also keep a file of enrolled acts and keep track of correspondence relating to, and requests for, certified copies thereof.

Mr. Lord: What do you charge for certified copies?

Mr. Havens: Twenty-five cents per hundred words.

Corporation Division: Oliver Spaulding, Chief of Division.

Mr. Lord: Will you tell us in a general way, Mr. Spaulding, what the activities of this division are?

Mr. Spaulding: In general, I should say, they would follow in three classes; the work I attend to personally is the examination of the papers of new corporations and of amendments to existing charters, and the admission of foreign corporations, which is getting more complex; then the second large division would be the examination and filing of the annual reports of corporations. There are probably twelve or thirteen thousand of them which are filed within three months, usually. We take care of quite a volume of correspondence, rather casual correspondence about certain corporations; the third line of business is making certified copies, and lists of stockholders, which brokers buy.

Mr. Lord: What do you charge for the making of those lists of stockholders?

Mr. Spaulding: I think it is 75 cents per hundred names.

Mr. Lord: What do you charge for certified copies?

Mr. Spaulding: Twenty cents per folio.

Mr. Lord: Uncertified copies?

Mr. Spaulding: Ten cents per folio.

Mr. Lord: How many articles of association were received, approximately, last year for record and filing?

Mr. Spaulding: I couldn't tell you that. But, from the first of January, 1917, to the first of October, 1917, there were 1,340 new domestic corporations of which articles were recorded here, and 124 foreign; also 456 increases of capital stock.

Mr. Lord: It is safe to say that original articles filed and recorded will amount to 2,500 during this year?

Mr. Spaulding: Well, this year will probably be a little sub-normal.

- For the corresponding period in 1916 the franchise fees amounted to \$113,000 approximately, as against \$160,000 approximately, this year, and I think the last three months will show a decline.
- Mr. Lord: You probably will get, during the year, \$175,000?
- Mr. Spaulding: That will be a conservative amount; of course, that is just franchise fees.
- Mr. Lord: Do you make abstracts of the reports of the corporations for the commercial agencies, Dun and Bradstreet?
- Mr. Spaulding: Yes, for one of them, either Dun or Bradstreet. Our reports, I think, not the articles, as they come in are abstracted and they do not get all the reports; they are not abstracted unless on special demand.
- Mr. Lord: What do you charge for abstracts?
- Mr. Spaulding: Twenty-five cents for abstracting reports, 10 cents for articles and 5 cents for amendments.
- Mr. Lord: What proportion of your articles of association are returned for correction?
- Mr. Spaulding: I should say that about 40 per cent were returned.
- Mr. Lord: What proportion of the articles of association that come in are recorded and what proportion are filed?
- Mr. Spaulding: There are very few filed and not recorded. Of course, the articles of banks are filed, after having been examined by the Banking Commission; articles of co-operative associations under the 1913 act are filed, and railroad articles and one or two others under special acts, but ninety-five per cent are recorded.
- Mr. Thompson: Can you think of anything that could be done to improve the efficiency of your department?
- Mr. Spaulding: I don't think I should like to answer that off-hand. If you really want some suggestions, I should like to think it over and put it in writing.
- Mr. Lord: Do you know of any labor saving equipment that you could get that would be a help to you?
- Mr. Spaulding: No, I don't. I think the greatest help of all would be to revise the corporation laws. We have something like four hundred and sixty-seven acts under which companies may incorporate, all more or less over-lapping. There is some equipment that we could use; for instance, fire proof filing cases. All the cards of our whole index system for corporations of this state are in that wooden case; no fire protection at all.
- Mr. Lord: Have you ever made any effort through the Board of Auditors to remedy that condition, to get steel boxes?
- Mr. Spaulding: No, I have not. I suppose it has been made.
- Mr. Lord: If those files should be destroyed by fire, what would the result of the loss be?
- Mr. Spaulding: Well, I suppose six months of confusion, of direct confusion, and six months of pretty hard work on the part of all the force in the office; and it would cost considerable money.
- Mr. Lord: Probably fifty times the cost of an up-to-date steel filing case?
- In the recording of the articles of association, do you use the book typewriter or is it done with the pen?
- Mr. Spaulding: Loose leaf system with typewriter. It also falls on

this division, don't know just why, to take care of the railroad equipment and leases which are required to be recorded here; they had always been recorded in long hand until two months ago I got some new books and they are doing that with the typewriter now. I wish we could get things organized so that we could have a greater degree of efficiency; for instance, I would like to publish a book of lists of corporations and amount of franchise taxes paid, as well as a directory; a book of statistics for which we have a great demand.

Mr. Thompson: What value would that be to the residents of the state?

Mr. Spaulding: I can judge its value only by the volume of demands we have for it. Don't you think that just a simplified list of the corporations would be valuable, and it would not cost very much? We very often have demands for selective lists.

Deputy Secretary of State: George L. Lusk.

Mr. Lord: How often does your man in Detroit transmit the money from that office to you?

Mr. Lusk: Every day.

Mr. Lord: And a complete report?

Mr. Lusk: Every day the Detroit office reports to us with the money, and we make all our files here, so that their applications are sent to us agreeing with their report, and the cash statement also agrees with it.

Mr. Lord: Where is the Detroit office?

Mr. Lusk: 200 Majestic Building.

Mr. Thompson: Do you think of any appliances that should be added to your equipment?

Mr. Lusk: No, have none in mind now.

Mr. Lord: I notice in going through the divisions downstairs, that a great deal of the footing is done by head, especially in the Vital Statistics Division. Don't you think you could put in two or three good adding machines and save a good deal of clerical help?

Mr. Lusk: We have machines to do the footing.

Mr. Lord: They do a lot with their heads, we found while going through. It seems to me that you could save a good deal by spending a little money now for two or three adding machines in the department.

Mr. Thompson: Another machine that you could use here, I believe, to great advantage, would be a machine to do your addressing.

Mr. Lusk: We do most of it now by typewriters.

Mr. Lord: With an addressing machine, one operator could address 6,000 a day.

Mr. Thompson: We found one clerk spending his entire time addressing envelopes by hand and during the last of the month he stated he would have to have help of two other clerks. Also a counting machine was mentioned for the Vital Statistics Division.

Mr. Lord: The adding machines and addressing machine are very important; it would cost a little money, but would pay for itself the first year and you would still have them.

We also took up with Mr. Spaulding the matter of keeping the files or indexes of corporations in wooden files; don't you think the department ought to get a steel file for those things? If a fire should destroy the indexes, it would take the entire force six months to replace it and that would be a great expense.

- Mr. Lusk: It hadn't occurred to me as to the danger. We put in new cases there within the last year, but didn't think it was necessary to put in a steel case. I presume it would be wise.
- Mr. Lord: Now, getting back to your clerks. How many clerks are there in the department now that were here when Mr. Vaughan was elected Secretary of State; what per cent did he let out when he became Secretary of State, or since he took office?
- Mr. Lusk: Not over a dozen.
- Mr. Lord: So that eighty-five per cent of the force is the same as it was. What are the required qualifications for a clerkship in the department?
- Mr. Lusk: It depends something on the work. In corporation work we would expect the clerk to have more knowledge than a clerk on some of the Vital Statistics' work. There is no special standard. Mr. Vaughan, if we need a clerk in some division, sizes up the applicant as to knowledge, schooling, etc., before appointment is made.
- Mr. Lord: So that ability is really the test rather than political influence in the appointment of your clerks?
- Mr. Lusk: Yes, sir. I may say with safety that without exception all the appointments made have measured up reasonable service. Clerks have to do their duty or we don't want them.

Automobile Division: Mr. Sternberg, Chief.

- Mr. Lord: You are chief of the Automobile Division, Mr. Sternberg?
- Mr. Sternberg: Yes, sir.
- Mr. Lord: Will you state, in a general way, what the nature of the work in your division is and what your duties are?
- Mr. Sternberg: My duty is to send out the license numbers and the cards and plates to those who apply for an automobile or other license. The application for the licenses come to us from upstairs after they have been entered on the cash book.
- Mr. Lord: Do you assign the number yourself?
- Mr. Sternberg: One of the clerks does the stamping; he stamps them in order when they come down.
- Mr. Lord: What accounts do you keep here of the number of licenses you issue?
- Mr. Sternberg: We keep a record of all the applications which we receive here.
- Mr. Lord: You keep a record of all the licenses you send out?
- Mr. Sternberg: Yes, sir.
- Mr. Lord: How many licenses did you send out last year, do you know approximately?
- Mr. Sternberg: This year, up to date, or rather to the first of November, this office and the Detroit office has issued 225,032 licenses, of which this office issued 157,508 and the branch office issued 67,524.
- Mr. Lord: Does the branch office in Detroit keep separate accounts or do you keep them?
- Mr. Sternberg: They make a separate report down there and we have a copy here also.
- Mr. Lord: Do you make any report of that when it comes in here?
- Mr. Sternberg: Yes, sir; we file it.

Mr. Lord: That office is not under your charge, is it?

Mr. Sternberg: No, sir.

Agricultural Division: Mr. Chambers, Chief.

Mr. Lord: Will you state, Mr. Chambers, in a general way, what the work of this division is and what your duties are?

Mr. Chambers: Well, we have from one thousand to twelve hundred crop correspondents and six hundred fruit correspondents, to whom we send blanks. These blanks have questions asking for information relative to condition of crops, relative to acres that have been planted, etc., then those blanks are returned to us and we compile that information and it is printed monthly in our crop reports, and distributed to the newspapers in the state, and also we send copies to each of our crop and fruit correspondents and to any other persons asking for them. Now, then, in addition to that we compile the annual report of the Superintendents of the Poor, annual reports of the Sheriffs, relative to the deaf and dumb, blind, idiotic and epileptic. These are published in pamphlet form. We also this year, for the first time, published a list of threshers; anybody engaged in that business has to make an application to the Secretary of State for a license; we have about 2,700 licenses out. They pay no fee; all we ask in lieu of fee for license is that they report to us weekly the number of acres and numbers of bushels threshed from wheat down to beans, and we publish that in our monthly report.

Mr. Lord: How many crop reports do you mail out every month?

Mr. Chambers: We send out about 3,000 a month.

Mr. Lord: How are the envelopes addressed?

Mr. Chambers: All by hand.

Mr. Lord: What other documents do you mail from this division?

Mr. Chambers: Well, we address the envelopes, but the mailing is done by the shipping clerks.

Mr. Lord: How many envelopes? Give us the approximate number you address in a year.

Mr. Chambers: I should say 25,000.

Mr. Lord: Are those envelopes addressed usually to the same parties?

Mr. Chambers: Well, some of them are.

Mr. Lord: I mean the larger bulk are addressed to the same parties?

Mr. Chambers: Mostly the same parties.

Mr. Thompson: How often do you revise your list?

Mr. Chambers: About every five years. We do it in this way. We send it as first class mail about once in five years; we have pretty close to 3,000 names all told.

Mr. Thompson: Mailing to 3,000 people twelve times a year. Who does that addressing? How many clerks does it take to do that?

Mr. Chambers: It would keep one clerk pretty busy.

Mr. Thompson: How many envelopes can a clerk address in a day?

Mr. Chambers: I don't know. We had a lady that would do 500 a day and do it easy. I think I could address 500. Now, in addition to what I have already told you, as chief of this division, I am Librarian of the Horticultural Society; they issue from five to six thousand copies of the Horticultural reports every year. They are shipped

from here. We attend to the addressing, but the shipping room ships them. So, as a matter of fact, it would probably be about 30,000 envelopes a year that we address.

Building and Loan Division: George H. Marshall, Chief.

Mr. Lord: Mr. Marshall, you are the chief of the Building and Loan Division?

Mr. Marshall: Yes, sir.

Mr. Lord: Will you state in a general way what the work of this division consists of and what your duties are?

Mr. Marshall: My duties are examining the Building and Loan Associations; going out and going through their offices, counting their money to see that it agrees; and when I am in the office here from June 30th, I am checking up their reports which come in after that date, seeing that they are right and also comparing them with the previous reports to see that they work out all right; then I also publish an annual report.

Mr. Lord: What is your method of examination when you go to these various associations?

Mr. Marshall: Well, usually I go in and count their cash, then I check their individual ledger and compare with the general ledger, go through their mortgage loans and check them with the loan register, and also look to see if they are properly recorded with the Register of Deeds, see if acknowledgements are properly taken, see if insurance is in force, and see that the mortgage clause is in the policy.

Mr. Lord: In making the examination, you say you examine the mortgages; now, what examination of the property covered by the mortgages do you make, to know that the security is ample?

Mr. Marshall: In some cases I have made examination of the property, but I usually look at the application for the loan.

Mr. Lord: Do you ever make any attempt to ascertain whether two or three mortgages cover the same property?

Mr. Marshall: Yes, and find many of these cases.

Mr. Lord: What steps do you take to see that these associations comply strictly with the law under which they are organized? For instance, suppose a Building and Loan Association was doing a sort of banking business instead of a building and loan business?

Mr. Marshall: I should call attention to the fact to the Secretary and Directors.

Supplementary to the above information the Secretary of State submitted the following general statement relative to the activities of his department:

"The Secretary of State is charged by constitutional and statutory provisions with many diverse duties. During a vacancy in the office of Governor, if the Lieutenant Governor is incapable of performing the duties of his office or is absent from the state, the Secretary of State shall act as Governor until the vacancy be filled or the disability cease.

"In general, it may be said that he is the keeper of the great seal, and of the records and archives of the state government; that he has charge of the compilation, publication and distribution of the laws, documents and reports of the various departments, institutions, officers, and boards;

that he issues commissions, warrants, patents and requisitions for extradition upon the order of the Governor; that he gives notice of the holding of elections and receives and files returns thereof; that he has general supervision of corporations in the matter of filing and recording articles of association and of filing the reports of such corporations; that he has charge of the collection, compilation and publication of statistics upon various subjects; that he is state registrar of motor vehicles and chauffeurs; that he approves and records bonds required to be furnished by those engaged in selling steamship or railroad tickets or orders for transportation to and from foreign counties, and the receipt of deposits of money for transmission to foreign countries, and issue certificates of authority to transact such business. He is a member of the Board of State Auditors, Board of State Canvassers, Board of Escheats, Board of Fund Commissioners, Board of Control of State Swamp Lands, Board of Internal Improvement, State Board of Equalization and Public Domain Commission.

The Deputy Secretary of State has immediate charge of the work of the office, and is the acting head of the department in the absence of the Secretary of State. The official staff of the department consists of—

Secretary of State—Coleman C. Vaughan.

Deputy Secretary of State—George L. Lusk.

Chief Clerk—Albert Dunham.

The department is composed of eight divisions as follows:

Executive—Albert Dunham, Chief Clerk.

Corporation—Oliver Spaulding, Chief.

Building and Loan—George H. Marshall, Examiner.

Vital Statistics—William F. Petrie, Chief.

Compilation—H. L. Havens, Chief.

Motor Vehicle—C. S. Sternberg, Chief.

Branch, Motor Vehicle—E. L. Dooling, Mgr. (Detroit).

Agricultural—Hiram Chambers, Chief.

Shipping—W. L. Brush, Chief.

SYNOPSIS OF WORK OF VARIOUS DIVISIONS.

Executive Division.

Issuing Notary Public commissions, warrants of requisitions from Governors of other states, parole and pardons, commutation of sentences, commissions to Governor's appointees, certificates to public accountants and steamship brokers.

Filing all bonds not otherwise designated, oaths of office, paroles and pardons, commutation of sentences, Sheriff's returns, record of township and city officers, Justices of the Peace, file of Notaries Public and Commissioners of Deeds, issuing and recording land patents, recording and filing deeds to state.

The administration of the Great Seal of the state.

The documentary transactions in this division number about 5,000 annually; the correspondence covers a wide range.

Division of Corporations.

All corporations desiring to incorporate must file or record their articles in this division. Amendments and changes of attitude must be

recorded here. Annual reports of all corporations are here received, examined, and when in proper form approved. Aside from the regular corporations, special statutes apply to mercantile and manufacturing companies, street railway companies, religious societies, social clubs not organized for profits, and other miscellaneous companies. Banks and trust companies file articles here after being approved by the Banking Commissioner, and certain classes of insurance companies list their stockholders with this division. Foreign corporations desiring to do business in Michigan must file articles here and duplicates of annual reports. Trade-marks and trade-names are registered in this division. The correspondence is voluminous. There are upwards of 3,000 new corporations formed each year and 16,000 now operating in this state; the collection of franchise fees for the last fiscal year amounted to \$202,629.70; recording fees, commercial reports, certified copies, etc., amount to \$24,685.73.

Vital Statistics Division.

This division deals with record of births, deaths, marriages, and divorces. For the fiscal year of 1916 the record was as follows: Births, 87,059; deaths, 45,106; marriages, 38,890; divorces, 5,253. The division furnished the U. S. Government birth and death transcripts for the past year to the value of \$4,362.88.

The system of filing, recording, indexing, etc., embraces a vast amount of detail labor. Every registrar (township, village or city clerk or health officer—1,700), reports monthly. An account with 5,000 physicians and mid-wives is kept. War conditions accentuate the value of vital statistics. This division publishes a monthly bulletin and compiles a record annually of vital statistics.

Motor Vehicle Division.

In this division figures speak for themselves. The calendar year 1917 in motor vehicle registrations will far excel any previous year. Estimates of registrations and receipts are as follows:

Motor vehicle registrations	250,000
Motor Cycle registrations	10,000
Chauffeur registrations	18,000
Manufacturers and dealers.....	900
Total tax estimated	\$2,600,000

1909, the first year when cars were registered, the total amounted to 11,718 cars. The law provides that one-half the regular tax received from this source goes back to the county of origin, which necessitates keeping distinct account with each county. The tax being computed on the basis of horse power and weight, greatly complicates the work of handling the business of this division and entails a heavy correspondence.

Division of Compilation.

In this division are compiled the Michigan Manual, the public acts, pamphlet editions of various laws, the receipt and compilation of election returns, motor vehicle lists, etc.

Building and Loan Division.

The supervision, examination and annual reports of all building and loan associations are taken care of in this division. The power to terminate the existence of such associations rests with the Secretary of State. There are seventy (70) in number, with a total membership of 63,769 persons, and total assets of \$31,379,472.18.

Agricultural Division.

This division collects and compiles statistics relative to crop reports from 1,200 correspondents, and issues a monthly bulletin of same. Reports of flouring mills, elevators and grain dealers are also received here, while all threshermen are obligated to report their work during the threshing season.

In addition to the annual reports of Superintendents of the Poor and Sheriffs, there are compiled statistics relative to the insane, blind, idiotic and epileptics.

Shipping and Supplies.

The Shipping Division takes care of all supplies and documents, supervises all shipments, and keeps the necessary records in connection therewith."

TREASURER'S OFFICE

Mr. Lord: Mr. Gorman, you are the Deputy State Treasurer?

Mr. Gorman: Yes, sir.

Mr. Lord: Will you please state, briefly of course, what the duties of this department consist of; what are its activities, etc.?

Mr. Gorman: The department receives and is custodian of all the funds belonging to the state of Michigan. The funds are received from the various sources and placed out in depositories about the state, some three hundred depositories. We make all disbursements for state accounts, issuing checks for all bills and vouchers against the state, all on warrant of the Auditor General. The department acts as a bank for the various other departments, Secretary of State, Auditor General, Public Domain, Insurance Department, etc.

Mr. Lord: That is, these departments deposit with you all the fees they collect?

Mr. Gorman: Yes; and then in addition to this the department has the custody of some ten million dollars worth of securities, by provision of law.

Mr. Lord: What bonds do you require from your depositories?

Mr. Gorman: Our depositories are required to furnish the bond of some satisfactory surety company for the full amount of the deposit. In lieu of that, they are permitted to deposit collateral, such as municipal bonds, railroad bonds, etc. United States Government bonds are accepted at par value; Michigan municipal bonds at 90% of market value; industrial bonds at 75% of market value.

Mr. Lord: Do you have very many industrial bonds?

Mr. Gorman: Well, about \$1,000,000.00, I judge.

Mr. Lord: Have those industrial bonds depreciated to any extent since the war started?

Mr. Gorman: Very slightly, perhaps.

Mr. Lord: Where there is any depreciation, to any extent, do you call for additional collateral?

Mr. Gorman: Yes, sir.

Mr. Lord: Mr. Gorman, a number of the boards and commissions connected with the state government collect a large amount of fees. Will you tell us to what fund these fees are credited by the State Treasurer?

Mr. Gorman: I don't just get the point.

Mr. Lord: For instance, the Game Warden's Department collects license fees; to what particular fund are those fees credited?

Mr. Gorman: Well, the Game Warden's Department is a peculiar department. There are a number of provisions of the law governing, and there are perhaps six, eight or ten accounts that these various fees are credited to. For instance, Game Protection, Angler's License Fund, Hunters' License, etc.; part of these accounts are credited with fees from one source and some from other sources; there are eight or ten state accounts with this department, all under the general fund.

Mr. Lord: How many accounts have you under the General Fund?

Mr. Gorman: About three or four hundred. These fees, when we receive them, become a part of the general fund; credited to the general fund under the different heads of the fund.

Mr. Lord: These moneys are for exclusive use of that particular department?

Mr. Gorman: Yes, sir.

Mr. Lord: Is there any limitation to the amount of such funds the departments can draw?

Mr. Gorman: No limitation whatever.

Mr. Lord: So that it amounts really to a "grab bag"?

Mr. Gorman: Yes.

Mr. Lord: Can you tell us off-hand whether those fees are all drawn each year?

Mr. Gorman: I can't tell you off-hand. I believe they are.

Mr. Lord: Tell us whether or not the Game Warden's Department, or any of the departments, ever draw on the general fund proper for any additional funds.

Mr. Gorman: I think they do. In a number of cases the law permits them to.

Mr. Lord: So that they can also draw on the general fund proper for additional money?

Mr. Gorman: Yes, sir. In other words, they are not self-supporting.

Mr. Lord: These several sub-classes you carry for the Game Warden's Department; are these covered by separate accounts for each of these divisions?

Mr. Gorman: Yes, sir.

Mr. Lord: Does the same condition of affairs exist with any other department?

Mr. Gorman: No, I don't think of any other department. In most of the other departments, their fees are totaled as a whole; they turn in their fees once a month and they are credited to their account; and from time to time, as they incur expense, vouchers are made out

and go to the Auditor General. Then they are referred to us for payment.

The Board of Registration in Medicine, I believe, turns in their balance after paying their expenses. A number of boards and commissions used to do the same thing but, under the act of last year, all fees have to be turned in to the Treasurer's office.

Mr. Lord: They have to turn these fees in now to the State Treasurer, but they are credited to the particular department or commission turning them in? Can you name the number of these boards that are governed in this way?

Mr. Gorman: Board of Registration in Medicine;
Board of Examiners in Optometry;
Board of Registration of Architects;
Board of Examiners of Barbers;
State Veterinary Board;
Michigan Non-Game License Commission;
State Oil Inspector;
Board of Osteopathic Registration and Examination.
I believe that is all.

Mr. Lord: How about the Dairy and Food Department?

Mr. Gorman: The Dairy and Food Department and State Board of Health, and the Michigan Securities Commission, turn in their fees and those fees are credited for their particular use, but they are not limited to the amount of their fees; they can draw from the general fund. The Dairy and Food Commissioner, for instance, uses the fees for certain purposes, and in addition to that, he has a direct appropriation.

Mr. Lord: How many of these commissions and boards do draw upon the general fund, in addition to fees they collect?

Mr. Gorman: I couldn't answer that off-hand. I don't think there are very many of them. I think in most cases the fees exceed the amount of their expenditures.

Mr. Lord: Give us your opinion of the present system of collecting fees and their use.

Mr. Gorman: Well, personally, I can't see the wisdom of the present system. I believe that every department ought to have a reasonable specified amount of money appropriated to transact their business on.

Mr. Lord: Your remedy would be that these fees, when collected, be turned over and credited to the general fund of the state and that each of these commissions, or boards, making collections of these fees, should go to the legislature for a direct appropriation for their support, and that they be kept within their appropriation without drawing upon the general fund. Would that facilitate the work of the treasury department to any great extent?

Mr. Gorman: It would simplify the accounts. It surely would facilitate the work to a certain extent. We would have a more uniform system of handling all accounts. That is one of the great difficulties now; there are no two departments handled in the same manner.

Mr. Lord: Now, then, Mr. Gorman, have you had any trouble whatever with any of the departments or boards so far as their system of keeping accounts is concerned?

- Mr. Gorman: We naturally would not, because it is all done at the Auditor General's Department.
- Mr. Lord: Do you know anything about the system of accounts kept by the boards, etc.?
- Mr. Gorman: No, I am not personally familiar with it. It always seemed to me, that, for instance, our department collects the state tax. We might take credit for those taxes and use the money to run our department; it is the same proposition with boards and commissions. No matter what money they collect it belongs to the state.
- Mr. Gorman: Another little matter that has always been a question with this department, the matter of various institutions or boards working under appropriation; they have considerable money on hand at all times earning interest. We have always contended that no institution nor board had the right to do that; and that the money should always be under control of the State Treasury and the interest it earns go into the State Treasury.
- Mr. Thompson: Would it be feasible for the State of Michigan to have a central treasury?
- Mr. Gorman: This department has always contended that it would.
- Mr. Thompson: Could you devise such a system, a system where the vouchers would be drawn by the institutions and checks cashed through this office? Would it be safe and would it be economical?
- Mr. Gorman: It certainly would be economical and I think it would be safe. The Military Department has always used that system and it has always been satisfactory with them and with us.
- Mr. Lord: Your idea is that all this money should be deposited with a central state treasury and all bills paid by this treasury; in other words to make matters short, it would dispense entirely with all the state sub-treasuries and have one treasury for the State of Michigan.
- Mr. Gorman: Yes, sir. Under the system we have with the Military Department when their funds run low, they make a request and, instead of writing a check and sending to them, we simply place to their credit the amount they ask for, and they check on us.
- Mr. Lord: Does the Auditor General make an audit of your books?
- Mr. Gorman: Yes, sir; in this way: Our accounts are checked every day, receipts and disbursements, and at the end of the month the Auditor General and Superintendent of Public Instruction count our money; that is our cash and our bank balances. We furnish them a list of the depositories and they check all our books.
- Mr. Thompson: Individual checking by treasurer; would that be all right, or would that not have to be done through the Auditor General?
- Mr. Gorman: They would get their warrant there. We would place it to their credit on their bank account and they would check against that. Instead of us sending them a check, we would honor their checks up to that amount, and, when that was exhausted, they would have to get another voucher through.
- Mr. Tompkins: In case prisons and other institutions were made to deposit the moneys belonging to inmates here, how would you handle them?
- Mr. Gorman: That could be handled the same way as department accounts now.

Mr. Thompson: Are there many surety companies that go on the bonds which you accept?

Mr. Gorman: Quite a good many.

Mr. Thompson: What funds have you in the custody of the State Treasurer?

Mr. Gorman: They are all shown in our report.

Mr. Lord: Have you any office rules governing this office?

Mr. Gorman: No, sir. We have a small force and try hard to keep away from rules and regulations.

Mr. Lord: Are there certain taxes collected by this department?

Mr. Gorman: They are really collected by the Auditor General.

Mr. Lord: Are there any collected by this department?

Mr. Gorman: Not directly.

Mr. Lord: Is the office the custodian of certain securities?

Mr. Gorman: We have about ten or eleven million dollars worth of securities placed here by Trust Companies. I happened to figure up the other day and we have four new insurance companies, each having \$100,000 with us, and three new Trust Companies, each having \$150,000 or \$200,000 with us.

Mr. Lord: In addition to that don't you act as trustee for some of the corporations that have been licensed to sell stock in Michigan?

Mr. Gorman: In a good many cases. The Michigan Securities Commission requires certain securities placed in escrow with us.

Mr. Lord: How much of that have you?

Mr. Gorman: Several millions, I should judge.

Mr. Lord: In making appointments to your office force here, is ability to perform their duties the point considered?

Mr. Gorman: Absolutely. There never has been an appointment made for political reasons in this department, to my knowledge.

Mr. Lord: How about your office equipment and labor saving devices? Is there anything that you could use, that you think would be of a benefit to you?

Mr. Gorman: We are well provided for.

Mr. Hinkley: Have you any idea how much extra funds it would give you in the treasury if the central treasury idea was adopted and everybody checked directly on it?

Mr. Gorman: Well, I can't tell off-hand; but I know that several times when the state was hard up, twice we were practically "broke," and we figured up, with the assistance of the Auditor General's Department, that on each of those occasions there was more than \$500,000.00 in the hands of state institutions that we could not touch. Another thing; last winter one of the institutions was very hard up and the local bank carried them along month after month until their next appropriation was available; the bank came down here to see if there was not some way we could help them out and we found that at this same time this same institution had on deposit with another bank the proceeds of a special appropriation amounting to \$45,000. That same thing prevails with the state; the state may be "broke" but institutions may have a half million dollars to their credit in various banks.

Mr. Lord: Can you tell us about how much the institutions of the state have on hand, on an average?

- Mr. Gorman: I couldn't only from this one instance, when we figured up they had \$500,000 on hand.
- Mr. Lord: That was the time I refer to; and the state had to borrow \$250,000, I think. Do you remember the interest charges on that loan?
- Mr. Gorman: Three per cent. The interest paid on the loan was \$1,284.24.
- The number of checks issued by this department has increased from about five thousand per annum in 1906 to more than one hundred thousand in 1917.

SUPERINTENDENT OF PUBLIC INSTRUCTION.

- Mr. Lord: Mr. Keeler, you are the Superintendent of Public Instruction?
- Mr. Keeler: Yes, sir.
- Mr. Lord: Will you state to us, Mr. Keeler, the activities of your department, what you do, what you have done, what you propose to do in the future and what benefit the activities of your department are to the people of the state?
- Mr. Thompson: Just give us a general statement relative to your department.
- Mr. Keeler: Necessarily, the backbone of the educational system of Michigan is the primary school fund, which this year amounted to practically six and one-half million dollars. This money can go only to teachers and for the payment of tuition for boys and girls from the country districts who are attending high school.
- Of course, I have general supervision of the public school system of Michigan; that's my job and I have tried to unify the public school system of Michigan. For example, I think it is up to this department that every school of like character shall have practically the same course of study. We have made it a law that every district school follow the same course of study. This department makes that course of study and they must use it. Heretofore they used everything.
- Mr. Lord: Who designated the course of study before the law was enacted?
- Mr. Keeler: Any board that wanted to; every school board could make their own course of study and they would leave it to the teachers and every teacher made his own. That is a very important thing because we have several thousands of districts. Now, I haven't any power in this particular point, but I think this department ought to control the course of study in all the villages and cities for the state of Michigan. You take Mason, Leslie, Owosso, for instance, those places and similar ones change Superintendents every two or three years; they get young fellows and about the first thing they think they ought to do is make a new course of study, and, if they have specialized in some line of study, that is what they fill their courses up with. For example, if they have made a specialty of language, they load it up with that. They are young fellows without experience; they don't see it from every angle. I am going to ask the legislature this coming year to give us the power to make a course of study for all villages and cities in the state. I consult the University

of Michigan and Normal Schools on the courses, but we really act as last word on it. So much for the course of study.

Mr. Lord: Would there not be some danger in that procedure if you should happen to get an incompetent Superintendent of Public Instruction?

Mr. Keeler: I do not think there is as much danger as there is in school boards getting the incompetent people that they do who make up the course of study. When I leave this office, all the help in here will not go; the competent help will remain.

Mr. Lord: Yes; but you are liable to get a cheap politician in the office and if you had a law of that kind it would be state-wide.

Mr. Keeler: They have the law in Indiana and they got just such a fellow in office and they have put him out.

Now, we have to do with the inspection of high schools; the university has, of course, put them on an approval list, but there has been a great deal of criticism of the university; some claim they sort of approve high schools by locating their own teachers and I feel we ought to have something to do with the approving of high schools in Michigan; we do part of that now.

Mr. Lord: Is that statutory authority that you act under?

Mr. Keeler: Well, no; but we are in a pretty agreeable situation with the University of Michigan; they asked us to do it, and I imagine we have done pretty nearly half of it during the last year.

Then, I am on the State Board of Education; we have four state normal schools and the real function of them is to prepare teachers for the State of Michigan. I am the active member on this board, do all the secretarial work, we keep the books and look right after it. I think the state normal schools are in a pretty good condition and I think that is one thing you might enlarge on in your budget report; that we are practically the only board that has charge of and act for all the institutions of a similar character; we act for all four normal schools and I believe it is successful. I spend one-quarter of my time with that board and I believe my time is pretty well spent, and then besides that we have a county normal school system; in Michigan we have fifty county normals, in fifty different counties, whose sole purpose is to prepare teachers for country boys and girls. We graduate nearly a thousand every year, trained teachers. The state pays \$1,200.00 to every one of the county normals each year and the county and town where it is located pays the rest of the expense; for example, you take Sanilac county, we have two teachers there and generally graduate about twenty every year; we will suppose it takes \$2,200.00 to run the school, the state pays \$1,200.00 and that leaves \$1,000.00 to be divided between Croswell, where it is located, and the County of Sanilac. In that county the supervisors are so interested that they equipped the school to the limit, bought a \$300.00 piano last year, books, etc. There is a university graduate at the head of the school.

Mr. Lord: Does that relieve teachers of examinations?

Mr. Keeler: Yes, sir; we give teachers a certificate for three years, then we renew it, after six weeks' work, and sometimes we renew it again at the end of another three years.

Mr. Thompson: What grade of certificate is it that you issue to these teachers?

Mr. Keeler: Well, it is a county normal state certificate. State normal schools give credit for that work, also the University of Michigan gives credit for it. It is a part of our educational system of Michigan. I think that the State of Michigan gets better value received for the money spent in those county normals than from any other money they spend; the per capita is less than for any other institution. High school graduates go a year and then get those certificates; they live cheaper, can go home Friday nights, and the girl is a year older before she gets away to school, and generally three or four years, as she usually teaches a few years after getting the certificate. That is the County Normal System.

Then, the University and these colleges prepare the high school teachers; the normal schools prepare some high school teachers, but it is 90 per cent grade teachers that the normals prepare; and I will say that the State of Michigan is quoted more than any of the forty-eight because of their system; for instance, if a person graduates from the sixth grade here in Lansing and moves to another city, they would be put in the seventh grade without examination. Also in the matter of certification; I have been very careful in seeing that every teacher in the State of Michigan has their legal certificate; I saw that one thousand teachers in Detroit who did not have any legal certificates were provided with them; perhaps the teacher was a good teacher, but she was not legally qualified, so we got busy and now every teacher is legally qualified.

Mr. Lord: What were those teachers teaching on?

Mr. Keeler: No certificate at all; years ago they had one, but it had expired; now every teacher in the State of Michigan has a legal certificate, same as men have licenses to practice medicine, etc. In Detroit, these certificates expire in four years, then they are renewed and now in Detroit they hire no teacher but who has a life certificate; a teacher couldn't get in in any other possible way; that is a requirement of the board.

Mr. Lord: Do you issue life certificates on examination?

Mr. Keeler: Yes; we are going to have examination next week; not very many take it, but we give them a life certificate.

Mr. Lord: The point I want to make is, does the city of Detroit hire teachers whom you grant, on your examinations, a life certificate?

Mr. Keeler: Yes, sir.

Mr. Lord: Now, to what extent has the duties of your office or department here increased since you have been superintendent, by statute or otherwise?

Mr. Keeler: In the first place, this course of study I spoke of, that is statutory in country districts; then, we approve the plans of all school buildings in the State of Michigan and that takes some time and thought, and I believe the people of the State of Michigan who come in contact with us and who build buildings will say that we have been a very valuable asset. I think this is one of the most important things we do; you take the country schools, I think within the last five years that we have started a sort of new lease on life for farmers in the building proposition; we furnish plans, specifications, etc., so

that they can take them and let the contract right off for any building, school buildings, they build.

Mr. Lord: Have you any authority as regards sanitary conditions?

Mr. Keeler: That is it, we have absolute authority. We kind of work that along smoothly; we could say that you couldn't use this building, but we go and have a talk with them and I will say that we have only had to condemn two in the State of Michigan, but because we have authority, it does the job. You see quite a good many "Standard" schools as you drive around; that is where a school, teacher and all is up to standard.

Mr. Lord: In that case you authorize the school to use that title?

Mr. Keeler: Yes, sir. Take Allegan county; two-thirds of the schools in that county have that plate on. The school commissioner got the thing started and if one district gets it, the next district wants the same thing and they often ask us to come over and talk to their board. Also, we have a good deal of auditing to do; you take eight thousand school treasurers or more and they get mixed up.

Mr. Thompson: What do you audit?

Mr. Keeler: The books of the treasurer, where they spend their money, etc.

Mr. Thompson: Their entire tax levy?

Mr. Keeler: Yes, their entire tax levy; we have absolute control legally of not only primary money, but every cent they spend.

Mr. Lord: What do you do when you find a crook?

Mr. Keeler: Collect the bonds and put him out.

Mr. Lord: Have you established a uniform system of accounting for them?

Mr. Keeler: Yes, sir; Mr. Otwell and Mr. Coffey handle that.

Mr. Lord: How often do they examine?

Mr. Keeler: We get a financial report of every district each year and they are all examined. We couldn't go to every district like a bank examiner, but this is the way it generally works out; the members of the board watch the expenditures of the fellow and 99 per cent of the country fellows are good, but there is one that isn't. We go down and look at his records, go over them all, check him up; sometimes one-quarter of them are checked up. The people of the country districts watch them pretty closely. If a man buys a Ford and ought not to, the neighbors say, "He is using school money." We couldn't audit all eight thousand. I have two men and of course they do a great many other things, but they really are auditors.

Mr. Lord: How long have you been doing that work?

Mr. Keeler: About eight years. I started that when I was deputy.

Mr. Lord: That is statutory?

Mr. Keeler: Yes, sir.

Now, I might say that we would like to lead the educational system in Michigan; in other words, we think that is our job. I get out a good many bulletins, they are used in the schools of Michigan, not only in public schools, but I have taken a good deal of pains to send one copy of every bulletin to parochial schools of Michigan; with that a letter saying if they can use it to let us know how many copies they wish, and there isn't a day that we are not sending out a quantity of those to these parochial schools.

Mr. Lord: What is the nature of these bulletins?

Mr. Keeler: Well, they are on history, language, arithmetic, courses of study, geography, etc.

Mr. Lord: Are they used in connection with text-books?

Mr. Keeler: Yes, and to save text-books; a good many times we send them to get the teacher and others interested in school matters, to get a broader understanding than they would from text-books.

Mr. Lord: Is there any way you can cut down the size of your report or book publications of any kind and get all the information you think is necessary?

Mr. Keeler: I don't think so; we watch that very closely, they aren't large.

Mr. Lord: This primary school money proposition that you started on; you can tell us about that if you will.

Mr. Keeler: The law in Michigan is to distribute that between boys and girls between ages of five and twenty. The law requires every district to take a census; we examine that census and we find that quite a good many districts try to pad it and we catch them at it.

Mr. Lord: How do you catch them?

Mr. Keeler: Well, take the city of Flint, once I went over to Flint with a lot of these reports. I said, "Why, you have not taken a good census"; he didn't have much use for me on the start and then I said, "You have the same children in both the fourth and fifth wards; I can give you any number of families that are in more than three times." He called me everything, said it wasn't so, etc. I told him that he better keep cool and said, "I want a meeting of your board and I want to show you, according to your own reports, that this family is in the first, third, fourth, fifth and eleventh wards." George Cook was on the board and he told him, "You should be a little careful, he isn't over here for nothing. He has got us or he wouldn't be here." The amount they expected to get amounted to \$60,000.00 more than we gave them. The law is very strict on that. I said, "The only thing you can do is to have a new census taken. Of course, you would lose all the primary money this year in the city of Flint, but we will give you thirty days to take a new census." And that is what they did. I went down to Detroit, there was an awful increase down there; I got hold of Reeves and I took lists of the children and got hold of the fathers and mothers of them; I stayed a week down there. Some of the wards increased a great deal; one increased seventeen times that one year, so many more children, and that is what made us suspicious; but it checked up all right.

Mr. Lord: That increase was not actual, but the result of incompetent men to take the census in previous years; it was not an actual increase in population.

Mr. Keeler: I was very well satisfied with conditions down there. Here at Ionia one day we found names of a lot of children that had never lived there.

Mr. Lord: Have you in the distribution of the primary fund ever made a very close examination of the census returns compared with the total population of one county with another having similar population? It looks as if there was a good deal of indiscrimination in the matter, not the result of inefficiency on your part, but it looks to me

that either some counties are padding their school population or that other counties are deficient. Seems to me that there is something wrong.

Mr. Keeler: There is.

Mr. Lord: Where is it?

Mr. Keeler: I don't believe it is in the school census. For instance, we take the third ward of Bay City; when we check that we take the previous years, check the children, find those past twenty and cut off the list; we have worked it right along every year and I have confidence in our reports and our work on it.

Mr. Lord: How do you check up fictitious names when they are padded?

Mr. Keeler: I have a force here, some of them have been here twenty years, and they kind of smell them. We get them.

Mr. Lord: Where there is not effective work on the part of enumerators, you have no means of knowing that, have you? I would like to add, don't you think the enumerators should be appointed by the Superintendent of Public Instruction?

Mr. Keeler: Yes sir; I do. We don't have any trouble in country districts, it is in the city; they appoint their force and we don't have anything to do with it.

Mr. Lord: I have been astounded, really, in working out these things on our tax statements, to see what seems to be gross indiscriminate distribution in the distribution of school money. It isn't right that Saginaw County, for instance, having a population about equal to Bay City would have one-third more children than Bay City; that isn't possible.

Mr. Keeler: I would expect it to be the reverse knowing those cities as I do; of course, if we had more help we could do a better job.

Mr. Lord: I have often wondered if there is not some other method by which the primary money could be more equitably distributed.

Mr. Keeler: You would have to change the constitution.

Mr. Lord: You take the County of Wayne, the amount received was \$1,400,000.00 and the state tax was nearly three million dollars.

Mr. Keeler: Of course, there is so much valuable property down there, and lots of folks have small families.

Mr. Lord: And lots have big. We have a large foreign population in Detroit.

Mr. Keeler: I think one thing I would like to have the Budget Commission look at favorably, if they could see it as I do. This department can have any number of people on the payroll, but outside of three or four the average salary we can pay is not more than \$1,100.00. I don't want any more than I need but I would like to have a few better people; if we are going to lead the procession, we can't lead with that class of folks. The Superintendent of Public Instruction gets \$4,000.00 a year, the Deputy gets \$2,500.00, and two others get \$2,100.00; the rest of them I can't average over \$1,100.00. I ought to have some people to whom I could pay more money.

Mr. Lord: What would be their duties?

Mr. Keeler: I need a man on this census work; I couldn't send a woman up to Bay County; and I haven't men enough to do it now; it might necessitate spending a week in Bay City.

Mr. Lord: What would that man have to receive?

- Mr. Keeler: I couldn't hire a man who would have the confidence of the people for less than \$2,000.00 a year.
- Mr. Lord: Would it be necessary to employ a school man for that work?
- Mr. Keeler: No, sir. Any bright young fellow. The State of Michigan is leaning on us to set the standard of things. A couple of men ought to be here in the office so that they could look after some of these things. One of the men here now looks after the fifty county normals, has charge of certain publications that I give to him and that keep him writing a great deal of the time; he has charge of the University and high schools also. My other two men have charge of auditing of reports, of starting schools, the buildings, as we are building all the while.
- Mr. Lord: The employment of these assistants was necessitated by new duties and laws?
- Mr. Keeler: Yes sir. I am liable to have a letter from Chadsey asking if it would not be a good thing to get something out on a certain subject and I am liable to ask Chadsey or Miller to come here as I try to use the school men, and many times I have paid their expenses out of my own pocket as I couldn't put through a voucher.
- Mr. Lord: Mr. Keeler, have you got too much in your course of study in high schools, are the children crowded too much?
- Mr. Keeler: No, sir; that is one point I make; I have a speech I have given in several states, "Fewer Things Better Done." I take my course of study along and we have about one-half as much as other states.
- Mr. Lord: Has it been your observation, particularly in Detroit, that they are trying to cram so much down the necks of the children, that they are not perfect in any one thing?
- Mr. Keeler: Yes, sir.
- Mr. Lord: What studies would you eliminate?
- Mr. Keeler: My idea is that, here is about what children ought to have: spelling, writing, reading, arithmetic. I want them to get those as I had to in the country school, they are the important things. Lots of times when the high school graduates are taken into banks, they are weak along those lines.
- Mr. Lord: Are there too many frills connected with the high schools?
- Mr. Keeler: There are, yes sir.
- Mr. Lord: I believe there is really very little education in those frills, fads and fancies, as I call them, and they are getting more and more prominent in high schools, especially in some of the larger cities, and they are expensive; they are the expensive part of the school and many of them the children like better than to sit down with their arithmetic.
- Mr. Keeler: I am just old-fashioned enough to believe that, and when they put me on the platform with the other fellow and I put this up to the people, he is knocked down all around. He hasn't the goods to defend himself.
- Mr. Lord: The educational system of Michigan is costing an immense sum of money.
- Mr. Keeler: Not nearly as much as some other states. Wisconsin is where they have gone into fads and fancies, they have gone the limit.

Mr. Lord: It seems to me that there are some of these that could be eliminated. Barring the ordinary three "R's," what do you think the country schools should give and what do you think the state high schools should give?

Mr. Keeler: Country schools should have the three "R's," a pretty thorough course in agriculture, some civil government, (and we outline that in our course pretty thoroughly), a course in physiology, because so many of them never have a chance to get next to their own bodies; in high schools, English, and the matter of English is so important all through life they can't have too much of it and I know it; besides that they must have history, not just cram twenty weeks of U. S. history but a course in it; also a year of good literature, algebra and geometry; I don't think that even a town like Bad Axe needs very much foreign language and, of course, not any German at all. I think there are more important things to teach them than so much German, Latin, etc.

Mr. Lord: Latin is a fine thing in connection with the English.

Mr. Keeler: Yes, but I have always thought that high schools thought they had to teach too many foreign languages; I believe two years of Latin is enough for any high school boy or girl.

Getting back to the office, we are trying to lead and in order to do that, I need stenographers that can do their work, but they can't do the kind of work we want to do.

Mr. Lord: You want additional help at an average of not to exceed \$2,000.00 a year?

Mr. Keeler: Yes, I don't need so many of those, but two or three.

Mr. Lord: We have got to go pretty slow in recommending any increases because of the extraordinary expenditures.

Mr. Keeler: Yes, but you have to consider that every year the legislature puts me on a board so that my time as Superintendent of Public Instruction is more than one-half spent on business outside of the department; for instance, the Board of Auditors takes a lot of my time; the State War Board, the boards of the Educational Institutions, and I try to keep in touch with them; the Board of Escheats and there are quite a good many other things I do.

Mr. Lord: You audit the State Treasurer's books and count the cash, don't you?

Mr. Keeler: Yes, sir.

STATE HIGHWAY DEPARTMENT

Mr. Thompson: Mr. Rogers, the first subject, is the scope of your department, what are your activities?

Mr. Rogers: That is generally covered in the preamble of Section 1, Chapter 5, General Highway Laws:

"There is hereby created and established a state highway department, which shall be charged with the giving of instruction in the art of building, improving and repairing public wagon roads and bridges, collecting reports from township and county highway commissioners, overseers of highways and superintendents and commissioners of streets in villages and cities, and with the

distribution of any state reward for improving the wagon roads, that this legislature or any future session may provide for, or any funds that may be given to the state for such purposes by the United States Government."

Mr. Thompson: What divisions of highway work do you have; how do you divide your work?

Mr. Rogers: (1) In the early days of this department we spent our winters attending road meetings, farmers' institutes, etc.; there wasn't much of a department except the Commissioner and myself, and traveling expenses were the only additional expense to the department. Now, our work consists of, so far as the old act is concerned, making proper specifications for roads under contract, paying state rewards, etc. We have divided the state into districts for convenience in the work, and have two men traveling out of this office, with assistants, handling the eastern and southeastern part of Michigan; have district engineers located at Kalamazoo handling southwestern Michigan; at Cadillac handling northwestern Michigan; one at Saginaw in the Saginaw valley portion, Huron and Tuscola counties, and district engineer in the Upper Peninsula at Escanaba. The engineer at Cadillac has had from one to two assistants during the summer, and there were two assistants to the two men traveling out of this office. We are now about to add Mr. Neilson, who is to have full charge of the maintenance work, acting with the different district engineers and county commissioners, and trying to get a better maintenance organization.

(2) The Trunk Line Act provides for the paying of double rewards on trunk line roads. That system now embraces about four thousand eight hundred miles of highways, laid out by the legislature of 1913 in this way; naming the cities and townships of the state which should be connected by trunk lines, leaving the exact routing to be determined by the State Highway Commissioner and local officials. Those have all been practically established now, with few exceptions, and the work of paying the double rewards goes on.

The Trunk Line Act provides further that the state shall make all surveys and plans for trunk line roads, build trunk line bridges and culverts, bridges to be constructed only when the county, good roads district or township has sufficient funds and agrees to construct at least three miles of road on the trunk line, including the bridge site. That only applies to bridges of more than thirty feet clear span.

Section 4, of Act 334, P. A. 1913, has been very slightly amended by the legislature of 1915 and 1917.

I would like to say that, of course, the very act which put the survey of the trunk lines on the State Highway Department has increased the duties of the department and size of the department way beyond any that heretofore existed. In fact, that is a very large part of our duties at the present time. We have spent between four and five hundred thousand dollars in trunk line bridges in the state since the act took effect.

Mr. Thompson: Have you all the trunk line determined and their routes?

Mr. Rogers: No, not quite, but very nearly. There are a few gaps here and there where there has been a little discussion as to the location,

simply a question of whether we take this road or some other road nearby.

Mr. Thompson: Will there be others laid out in the future?

Mr. Rogers: The limit under the present law is three miles to a surveyed township, fractional townships to be figured pro rata. Irregular counties don't work out that way; it gives them their mileage according to area.

By the maintenance of this act we are required to see that various townships, counties and good roads districts maintain their roads in a satisfactory condition, or to withhold their reward. We are further given authority that, in case they fail to maintain the roads satisfactorily, we can go on and expend any moneys that are due for such rewards. And, the last legislature gave us authority, if there were no moneys due them, to put the roads in repair and order an assessment to pay for them.

(3) The Covert Act, first passed in 1915 and amended in 1917, provides for the building of roads on application of a certain number of the owners of the lineal frontage of lands fronting or touching upon any highway. Originally, it provided that petition must be signed by fifty per cent of the owners of the frontage upon any highway, not less than two miles in length, and petition be addressed to the County Road Commissioner; if intercounty road, or in a county not operating under the county road system, the petition to go direct to the State Highway Commission. This has been responsible for extensive activities of this department during the last two years. We were unable to sell bonds under the act of 1915, and we had to suspend operations until after the session of the legislature of 1917. Since that time we have actually sold about \$600,000.00 worth of bonds, and about \$300,000.00 has been actually paid.

We have roads under construction in Ionia, Hillsdale, Iosco, Oceana, Newaygo, Muskegon and Huron counties, and numerous other roads in various sections. Under this act, the state takes charge of the roads. We have to thoroughly survey the highway, make plans and specifications for proper improvement for such highway; in fact, we do everything from the start. The state is temporarily carrying the load of all of these roads, trunk line and otherwise. We are authorized under the Trunk Line Act, that whenever we get a petition under the Covert Act, which is on the trunk line, the state bears the expense.

The Covert Act, in itself, does not provide for any way of immediately financing that work, and we have to carry that work from the "general fund" and from the "trunk line fund" if the work is on the trunk line. In fact, we have had to handle it mostly from that and return it to the state as we can collect it from the different roads.

(4) The fourth activity is the Federal Aid Road Law. This law provides the sum of \$75,000,000.00 for the construction of rural post roads in the several states during the next five years, and is divided among the states, one-third according to area, one-third according to population, and one-third according to post road mileage. Michigan will get, I estimate, about \$2,187,000.00. The only factor that varies is the post road mileage from year to year, which makes it impossible for us to tell what we will get for the five-year period. We

fell down about \$2,000.00 on our third allotment from what I had figured. This was on account of a little change in post road mileage over the country.

There has been made available under this act the first three allotments:

First	\$145,783.72
Second	291,567.44
Third	435,356.37

Those are the first three out of the five. We have not the money, of course, but there have been six projects put up to the government. One contract has been let and the road is under construction, and the others are in process of getting along to that point. We have had project statements enough allowed to practically exhaust, our first two allotments, and of the third allotment no money could be used until after the first of next July. The type of road is anything that the Federal Government will approve. Usually, anything this state has suggested has met with approval. Now, for instance, the first project put forth was for a road in the Upper Peninsula, across Baraga county, through to the copper country. In the first place, the Federal Government asked us to submit to them a general scheme of trunk line road system of the state, and they have requested repeatedly that these roads, as far as possible, be kept on main lines, and also on roads of interstate importance as much as possible. They are also quite insistent that the roads be post roads. The Baraga road is not a post road and we had to go to Washington and through the congressmen's aid it was approved. I did make one promise to the Secretary, that I would not ask him to bend his rule for any other project in Michigan. We are using this money just as soon as possible to fill in the gaps on the trunk line roads. This act was followed up by the State Federal Aid Act, which gives the state authority to make contracts, with the government, for carrying on the work. The general Federal Act provides that this shall be done by the various state highway departments, and the state followed it up with an enabling act, for the two succeeding years, to pay the state's portion of the Federal Act. The State Federal Aid Act provides that this federal aid money shall be distributed to the counties—not necessarily to all counties—but, if it goes to any county or township, we may aid the poorer counties more than the larger ones, working it out on this basis, according to the valuation per trunk line mile. I might say here that the values for this unit vary widely, from Oscoda at the bottom to Wayne at the top. Oscoda has a valuation of about \$25,000.00 and Wayne county about \$16,000,000.00 per trunk line mile. Counties having valuations of \$100,000.00 and less may receive 25 per cent from the state and pay 25 per cent themselves, and get the remaining 50 per cent from the Federal Aid; those having valuations of \$100,000.00 to \$200,000.00 per trunk line mile pay 20 per cent themselves and get 20 per cent from the state, and so on up until we reach the counties having \$500,000.00 per trunk line mile where they are required to pay the full 50 per cent and the state's only expense is to pay for taking care of the supervision. This is true except one condition, the Federal Aid money is limited to \$10,000 a mile for the government's portion; hence, if we build a road

costing over \$20,000.00 a mile, the state would have to step in and pay the additional cost.

Mr. Thompson: To what classes of road would it be allotted?

Mr. Rogers: Any township or county is at liberty to make application to this department for Federal Aid, and projects taken up by this department, on what we call "project statements," and they are passed on at Washington and allowed or disallowed. We have submitted to the department at Washington a plan showing our trunk line system, showing the gaps and practically telling them, as far as possible, how we shall act, and how these Federal Aid funds shall be used for closing in these gaps.

(5) Bridge Department. This is a branch of the trunk line work. In addition to the regular work of designing and building bridges under the Trunk Line Act; we are also authorized to prepare plans for townships and to advise counties regarding plans. Quite a share of the activities of the department has been to prepare plans and assist townships and counties with their own building. We practically furnish the engineering services.

Mr. Belknap: Under the Covert Act the money is borrowed upon the proceedings. If we have been correct in our proceedings all the way through, in the holding of the hearings of objections, regarding our contract, and review of special assessment roll, we can then advertise to sell bonds, and upon these proceedings we borrow this money. We do not borrow the first year, as a usual thing, because the law provides there is no interest on first year's special assessment rolls. The money must be placed in banks, in the different counties, which are approved by the department, if the department is handling the proceedings, otherwise banks are approved by the Board of Supervisors, and it is necessary for us to go into the matter of designating the proper bank. Many of the state banks have only a capital of \$20,000.00 and there does not seem to be any method in the act which provides a proper protection. We have gone into that by requiring each of the banks to furnish the County Treasurer with a suitable bond, a surety bond in most instances. The County Treasurer passes on the security primarily; we have no authority to do so, but we have required the County Treasurer to furnish us with a copy of the bond.

Mr. Rogers: When money has been sent to the County Treasurer, we have designated in advance the bank in which it shall be deposited.

Mr. Thompson: Do you require additional bonds from County Treasurers?

Mr. Rogers: There is nothing in the law that would give us authority to ask for additional bonds.

Mr. Thompson: The Attorney General has so advised you?

Mr. Rogers: No.

Mr. Thompson: What bond do you put up yourself?

Mr. Rogers: Only a bond for faithful performance of duties of the department, \$5,000.00.

Mr. Thompson: What are your suggestions as to the matter of handling this money through this department?

Mr. Rogers: Well, we have met the condition as it is rather than as it might be, and I would imagine that eventually there ought to be about the same protection as with any other officer handling a large

amount of money. We have no discretion in picking our County Treasurers, but we have selected the banks with as much care as we can and have required a proper bond to the County Treasurer. You will see from our voucher check that we simply draw an order under form one on the County Treasurer. We go further than that, we specify on a voucher exactly what services have been rendered for which it has been drawn, and still go further and fill out the check which the County Treasurer is to sign on the depository bank, and banks are instructed to pay no checks except these voucher checks, showing just what the services are. The check is filled out ready for County Treasurer's signature.

Mr. Belknap: I think, perhaps, there is one point that has not been covered, that the faith and credit of the assessment district or county is pledged, and the faith and credit of the entire state, when you sign bonds.

Mr. Thompson: These funds from the Covert Act are deposited in the County Treasurer's office, when the bonds are sold, then deposited in depository banks, and checked out by the check of this department when the engineering department approves the road.

Mr. Rogers: The sale of the bonds has been by advertising, receiving bids in the ordinary way, and sold in that way.

Mr. Thompson: Do you have many bidders?

Mr. Rogers: So far we have had bids from Ellis of Grand Rapids, Cook of Kalamazoo, Detroit Trust Company, F. C. Hayler Company of Toledo, Justus Meyer Company of Cincinnati.

Mr. Thompson: Before offering the bonds do you determine the rate of interest?

Mr. Rogers: The law specified that the rate shall not exceed six per cent. The bid specifies the interest.

Mr. Thompson: What publicity is given as to bond offers?

Mr. Rogers: We have been advertising in the *Michigan Investor* and usually in a local paper, that is in the vicinity of the job, and in out of state papers; then we circularize all bond houses we have had information of.

Mr. Thompson: How many bond houses?

Mr. Rogers: We have about thirty on our list, I believe.

Mr. Thompson: How do you arrange to pay those bonds?

Mr. Rogers: The bonds are serial bonds and they are paid from the assessment rolls. The bonds have been made payable at the bonding offices usually; that is, the bonds held by Hayler Company are payable at the Security Bank & Trust Company at Toledo, those held by the Detroit Trust Company are payable at their place of business at Detroit, Ellis's payable at his own bank.

Mr. Thompson: Tell us about the financial procedure to pay these bonds.

Mr. Belknap: It is necessary for this department to make out a special assessment roll which is usually either one-fifth or one-tenth of the total amount. We send that properly certified, to the County Clerk before the annual meeting of the Board of Supervisors. The Board of Supervisors orders these rolls spread and collected and the sums of money are deposited with the depository banks by the County Treasurer when collected.

- Mr. Rogers: Of course, these rolls draw six per cent interest under the law, except the first year.
- Mr. Thompson: Tell us about the financing of your other activities.
- Mr. Rogers: By direct appropriation of the legislature; we have \$35,000 for the next two years.
- Mr. Thompson: Does this department have any receipts other than from the Covert Act and direct appropriation by the legislature?
- Mr. Rogers: Nothing, except now and then selling a blue print or county map for about enough to cover the cost of the material that is in it, and the most of those are handed out officially and no charge is made.
- Mr. Thompson: What about the automobile tax matter?
- Mr. Rogers: The Secretary of State and Auditor General advise us of our credits as they come due. Those are all paid out through the Auditor General's office in regular way on approved vouchers. Of course, in payment of state rewards, we are instructed to certify to the Auditor General that such a road is completed and entitled to state reward, and he in turn makes an order on the State Treasurer who issues a check, and those checks are mailed out from this department with receipt cards. In the early days of the department the money was transmitted from the Treasurer's office, but they kept writing us about it. We now notify the Highway Commissioner and the Township Clerk, in addition to sending a card to Township Treasurer, that the money has gone forward, so the Treasurer don't have a chance to hold it very long without someone asking about it.
- Mr. Thompson: What were the total expenditures by the department for your fiscal year ending June 30th, 1917?
- Mr. Rogers: About one and three-quarters million; a little better than one and one-half million.
- Mr. Thompson: Coming from what sources?
- | | |
|--|----------------|
| Mr. Smith: Trunk line appropriation..... | \$ 600,000.00 |
| Automobile tax | 1,100,000.00 |
| Current expense appropriation..... | 30,000.00 |
| | <hr/> |
| | \$1,730,000.00 |
- Mr. Rogers: This year, we have a Federal Aid appropriation that will have to bear a part of the expense of Federal Aid Roads and expense from Covert Act.
- Mr. Thompson: From what you can see now, how much will your expenditures be for the fiscal year ending June 30th, 1918?
- Mr. Rogers: Probably will run over two and one-half millions. One-half million will be Covert Act money.
- Mr. Thompson: How much Covert Act money do you expect to handle during the calendar year of 1918?
- Mr. Rogers: That depends a whole lot on whether we are going to be able to build roads on account of labor conditions and car conditions. If we do anything like we ought to it would be \$2,000,000 but we are going to do well if we build \$1,000,000 worth.
- Mr. Thompson: What would be your estimate of community roads that will be improved?
- Mr. Rogers: Something over 70,000 miles of public wagon roads in Michigan.

- Mr. Thompson: How many miles of intertown roads are improved?
- Mr. Rogers: A little over 5,000 miles at the close of the last fiscal year.
- Mr. Thompson: How many miles of any class of roads are in process of improvement?
- Mr. Rogers: We couldn't answer that very specifically. We get the applications in and they are on file here. There are more than double the amount of roads on file than we can hope to complete during any succeeding year. I thought we would build over a thousand miles of road during the fiscal year but things are slowing down quite a little, so that I expect when the fiscal year rolls around we will not have anywhere near that completed.
- Mr. Thompson: How many years will it take you to complete the roads as planned now?
- Mr. Rogers: We have 5,000 of the 15,000 miles completed and are building roads at the rate of 1,000 miles a year. All of the 5,000 should not be included because a certain per cent will be intertown and community roads.
- Mr. Thompson: Probably it will continue for the next five or ten years.
- Mr. Rogers: History of states shows that they have grown more active year by year.
- Mr. Thompson: Does this department purchase anything?
- Mr. Rogers: Nothing except in the bridge line. We are buying bridges. We are receiving bids and letting contracts for trunk line bridges and for the maintenance of trunk line bridges right along. We find it necessary in some instances to place small orders where we can get the material and get it quickly, such as creosote lumber; and the small amounts of supplies that go into the drafting room, such as materials, books, etc., as we use in the office, those are all purchased through the State Board of Auditors—all of that small stuff.
- Mr. Thompson: How do you let contracts for your various classes of work?
- Mr. Rogers: The roads and bridges are practically in the same class. We advertise them in papers in and out of the state, if they are very large contracts. For small work we found that that hardly was profitable. We have a list of bridge contractors—sixty or more, and we circularize them direct everytime there is an advertisement published so we know they see it.
- Mr. Thompson: Where are those contracts let?
- Mr. Rogers: They are let here at the office to the lowest bidder.
- Mr. Thompson: Do you think that is more economical for the people of the state than to let them in the community?
- Mr. Rogers: I think so. We are getting a large number of bids and find that comparatively few men who bid will take the pains to come. We assisted Ottawa County in letting a contract for that big bridge; it was advertised as usual, also twenty-five or thirty bidders came in, but a firm from Joliet, Illinois, the Joliet Bridge and Iron Company, who mailed their bid, got it, as they were below any representative on the ground.
- Mr. Thompson: Going back to the scope of this department. It is your thought that there will be 10,000 or 12,000 miles of road completed in Michigan in the next ten years.
- Mr. Rogers. Yes, sir.

- Mr. Thompson: What will be the probable expenditure by way of rewards on those 10,000 or 12,000 miles?
- Mr. Rogers: More than \$1,000,000 a year during that period, and I think we are fast approaching the point where the automobile money will practically take care of those rewards.
- Mr. Thompson: What will be the capacity of this department as to turning out road work for the next few years?
- Mr. Rogers: I think we can by expanding meet any emergency. We think we are organized here with men who are experienced in their lines so that sufficient help can be gathered in to handle emergencies.
- Mr. Thompson: What changes in the handling of money by the department would you suggest?
- Mr. Rogers: Well, I think that a little discretion ought to be affirmatively shown in the law as to depositing large sums of money with the County Treasurer.
- Mr. Thompson: Would it be wise to have all the money go through the State Treasurer's office?
- Mr. Rogers: We have been thinking of that some and it has some very desirable factors, and we have not been able to discover very many objections to it. The bonds could then be payable at the office of the State Treasurer, although certain bonding companies have ventured the statement that these bonds would all market better if they were payable in New York City?
- Mr. Smith: Don't you believe that if these bonds were payable at the State Treasury and the money was all handled through that office, that it would put them in a greater financial light and possibly reduce the rate of interest?
- Mr. Rogers: I think it would look better to the people of the State of Michigan and be handy for this department; it would relieve us of attention to that matter. It would very much simplify and safeguard the whole thing.
- Mr. Thompson: Do you have some employe connected with your office who pays particular attention to the financial matters of the department?
- Mr. Rogers: Our bookkeeper and assistant.
- Mr. Thompson: Are these bonds certified to in any case, that is except your signature?
- Mr. Rogers: Some of the bonds sold to F. C. Hayler Company; they wanted some county official's name to appear on them, and we finally induced them to take Mr. Belknap's name as Special Deputy, in addition to my own.
- Mr. Thompson: Do you have proceedings certified to by the Attorney General?
- Mr. Rogers: No; the Attorney General has spent a great deal of time on this act, but we have not asked him to go through the proceedings of any road except to get us started.
- Mr. Thompson: Would it not be a service to the people of the state to have the Attorney General certify as to their validity in every case?
- Mr. Rogers: It might have a tendency to.
- Mr. Thompson: What is going to be the effect of the war on your department?
- Mr. Rogers: In the first place we are losing men. We have sixteen

stars in our service flag now and one more to put up, and undoubtedly more to follow. We are having to fill their places with men of less experience and this year it was impossible, after school closed, to get a man from the University. For the first time in the history of the department, we have taken men from out of the state, from other institutions, and we had to fill up with under-graduates, a class we would have passed by to some extent a year ago. Previous to this we have been able to take University men during the summer, and give them vacation work.

Mr. Thompson: What will be your policy during the war?

Mr. Rogers: Our policy during the war will be to continue work as far as possible, especially on important trunk line roads. We are going to do all we can to encourage that sort of road building.

Mr. Thompson: Do you rent some buildings around the state?

Mr. Rogers: We rent one building at Cadillac at \$8.00 per month. Our district engineers, other than that, are using one room in their homes for an office. They are in and out and have found that a better way and more convenient. We are not trying to create branch departments.

Mr. Thompson: How do you buy your supplies?

Mr. Rogers: Through the Board of Auditors on their contract.

Mr. Hinkley: What is the situation on the Seney Road?

Mr. Rogers: The situation on the Seney Road is this: we have a letter from the Attorney General directing that, since that road was ordered built, it is our duty to complete it, and we have been grading, and in fact, have graded to the county line, and are expecting to build a road between the end of the stone road and the county line.

Mr. Hinkley: How much do you anticipate it will take to finish this road?

Mr. Rogers: As we are planning it now, one and two-thirds miles more, and the cost probably will be \$4,000 or \$5,000 a mile.

Mr. Hinkley: As I understand the situation, the legislature refused to appropriate money to finish this road, and on instructions from the Attorney General, you have, or are, finishing it, anyway.

Mr. Rogers: That is about the situation. We are building it as cheap as we can to get to the county line.

BOARD OF STATE AUDITORS

Mr. Lord: You are a member of the Board of State Auditors, Mr. Odell?

Mr. Odell: Yes, sir.

Mr. Lord: And being a member, you are quite familiar with the activities of the Board of State Auditors?

Mr. Odell: I have only been a member of the board since the first of the year and, on account of the work in my own office and the number of boards I am on, I have not been able to devote much time to this work. It is safe for me to say that we can depend on the Secretary to give you the information you desire.

Mr. Lord: Would you want to state in a general way what the powers of the Board of Auditors are, and what their various activities are, or would you prefer to have the Secretary make that statement?

Mr. Odell: I would prefer to have the Secretary make the statement.

Mr. Lord: Very well, Mr. Mathews, will you outline to the commission, as briefly as possible, the various activities of the Board of State Auditors?

Mr. Mathews: In a general way, the board has charge of the letting of contracts for printing, binding and stationery and the purchase of stationery for the several departments; also the ordering of the printing and binding for the several departments, which is all done on requisition from the departments. After the printing is done the printer sends his bill to the Board of State Auditors, together with samples of the printing and binding. All printing and binding is let by contract under certain items, one item covering one kind and one item another kind, and it is all classified and billed to us under the certain item. It is our duty to take those samples, which accompany the bill from the printer, and see that they conform with contract samples on file downstairs. In case they are not correct, it is our duty to correct them. We also give the proper item number and get the bill ready for the Board of Auditors to pass upon at their next board meeting. The books come in what we call "dummy" forms. We go through the dummies and check up, page by page, to see if the composition is charged correctly, some being single prices, some double price, etc. Then, in the "job" work, for instance, here is a job of printing charged to "22." On looking this over we changed it and charged it to "20." The binding works out similar to that. It is done under contract as well as the printing.

Mr. Lord: Do you advertise for bids on those contracts?

Mr. Mathews: Yes, sir. That is required by Act 12, Public Acts of 1903. We have to advertise for six weeks in three daily papers.

Mr. Lord: Are the contracts usually let to printers who are residents of the state or to outside parties?

Mr. Mathews: Usually to residents of the state.

Mr. Lord: Do you always let to the lowest bidder or do you reserve the right to reject any bid?

Mr. Mathews: We reserve the right to reject any bid or any part of any bid.

Mr. Lord: For what reasons usually do you reject bids, irresponsibility?

Mr. Mathews: No, I don't know as we have ever rejected on that ground. We usually let it to the lowest bidder unless there is something in connection with the work that would make it impracticable.

Mr. Lord: Now you can go ahead and tell us about the rest of your activities.

Mr. Mathews: While we are on this printing proposition I might say that departments send in to us for their needs different blanks, etc.; and we have a system whereby we keep a duplicate of what we send just as soon as the job is billed to us, and when paid it is a check against duplicate payment.

Mr. Lord: In letting your contracts for state printing, do you provide for any forfeitures or penalty of any kind where delivery is not made at the proper time?

Mr. Mathews: Yes, sir; that is in the contract.

Mr. Lord: Do you ever enforce that contract condition?

- Mr. Mathews: We never have, although in our contract for letting printing it says, "All work done under this contract is to be commenced immediately upon delivery of copies and is to be carried forward to completion promptly and without delay, and all work done hereunder is to have preference over any work from other sources to be performed by contract. The right is reserved by the state, in case of any default of this contract, to have any of the work covered by this contract performed by parties other than certain contractors, the cost of doing same, if over and above the contract price, to be borne by said contractor."
- Mr. Lord: Have you ever taken advantage of that when there has been a delay in getting the stuff here?
- Mr. Mathews: I don't recall that we ever have.
- Mr. Lord: Don't you think there should be legislation of some kind directing you to enforce the terms of such contracts?
- Mr. Mathews: The state reserves the right to annul the contract, if there should be a failure at any time to perform any of the specifications in the contract.
- Mr. Lord: Don't you know as a fact, Mr. Mathews, that the state printer oftentimes does do private work and allows the state printing to wait until he gets the private work done? Those charges have been made and never have been denied by the state printer.
- Mr. Mathews: We attempt to take care of that by requiring our work to have preference over any other.
- Mr. Lord: Yes, but that don't do it. The fact is that the reports, laws, etc., printed by the state are usually delayed to such an extent that they are not of much value to the people of the state. That is not the fault of the state departments, but of the state printer, and there should be some way to jack him up.
- Mr. Odell: What reason does the state printer give for these delays?
- Mr. Mathews: All kinds of excuses. Sometimes they claim they have been held up for six weeks on proof, etc.
- Mr. Lord: Now, Mr. Mathews, you may proceed.
- Mr. Mathews: Bills come to us from the printer in duplicate. The original goes to the Auditor General and we keep the duplicate. Then after the board meeting and after these have been allowed, we post them to proper item number. We keep a card system and on those cards we keep the quantities that are printed for the two-year period. Then, when we are letting the new contract, we use these cards as a basis to work on. We give a record of these quantities to the bidder for a guide.
- Mr. Lord: Is the original copy given to the Auditor General for the purpose of being a guide for him to draw his warrant for payment?
- Mr. Mathews: Yes. Of course, we approve them first and audit them. The record of stationery is kept practically in the same way. We keep a record as to what kind of stationery and the quantity that is bought. This time it will be for a one-year period, as we let the contract for stationery only for one year, on account of the unsettled condition of the market.
- Mr. Lord: In the selection of stationery, the kind of paper you use, etc., do you have the last say as to what the quality of paper shall be, or do you refer that to the department heads?

Mr. Mathews: We really have the last say. Sometimes a request is silent as to the kind of paper. Sometimes they request some special kind of paper and, if we consider that kind impracticable, we usually take the matter up with the department head and ask if some other kind wouldn't be satisfactory.

Mr. Lord: Who buys the paper?

Mr. Mathews: The Board of Auditors orders it.

Mr. Lord: Is it bought under contract?

Mr. Mathews: Yes sir. After the contract is let, either for printing, binding or for stationery, we get out these little pamphlets, which show the contract price for each item. Some kinds of paper we buy by the ream; anywhere from fifty to one hundred reams, or maybe more. Book paper we buy in carload lots.

Mr. Lord: Do you buy direct from the manufacturer?

Mr. Mathews: No, we buy on contract. For instance, the Birmingham, Seaman & Patrick Company have the contract for M. F. paper.

Mr. Lord: What record do you keep of your stationery, after it is received?

Mr. Mathews: We use the card system, similar to the system of printing and binding. It shows the quantity of stationery, number of pencils, ink, pens, inkwells, etc., so that we can tell how much has been bought during the one-year period. Those are supplied to prospective bidders, so that they will know what we are using.

Mr. Lord: Do they all have to submit samples when they submit bids?

Mr. Mathews: Yes, sir. We get out specifications similar to the others just shown, and they bid on different kinds of paper. For instance, we might call for ledger paper and one might bid on United States ledger, another on Weston's ledger, etc., but they submit samples and quote prices.

Mr. Lord: Does the state get any discount on purchases of different paper, or is it net in the contract?

Mr. Mathews: It is net. The bidding on stationery has been quite brisk and the prices have been considerably lower than commercial prices have been.

Mr. Lord: On your stationery items, such as pencils, pens, ink, etc., do you purchase by contract or do you buy from local people?

Mr. Mathews: We buy very little through local people.

Mr. Lord: Can you tell us approximately the aggregate for the year? Is it \$1,000.00?

Mr. Mathews: No, it would hardly amount to \$500.00.

Mr. Lord: So that practically everything is under contract?

Mr. Mathews: Yes, everything is under contract. Occasionally new things come up that have not been used before and are not in the contract. In those cases, we sometimes have to buy locally.

Mr. Lord: Does the Board of State Auditors permit the executive head of any department, or anybody else in the state's service, to purchase any articles for use in that department?

Mr. Mathews: We never permit them to buy, but sometimes they do it.

Mr. Lord: Then what do you do? Do you give them a scolding?

Mr. Mathews: Yes.

Mr. Lord: Do they ever repeat?

- Mr. Mathews: No, they do not very often repeat. They are better about sending in requisitions than they used to be.
- Mr. Lord: Don't you think that it would be a good plan to make the executive head of a department pay, out of his own pocket, for materials not bought on requisition?
- Mr. Mathews: It might be. We have made threats to that effect.
- Mr. Lord: Isn't it a fact that there is a door left open for them to make purchases of this kind?
- Mr. Mathews: It is very rare now; not as much as it used to be.
- Mr. Lord: Has it been lessened by action of the Board of Auditors?
- Mr. Mathews: Yes; when we don't find a requisition for the articles billed, we call them up and tell them as a protection against duplicate bills, etc., and it is getting so that bills don't come that way as much as they used to.
- Mr. Lord: A system of correct business that isn't lived up to is worse than no system at all. Mr. Odell, as a member of the Board of Auditors, and I think I speak for the Commission, we would suggest that the board refuse to audit any claims for purchases made by any official of the state government, where a requisition has not been submitted, and that requisitions be approved by the Board of Auditors. That would be correct business.
- Mr. Mathews: A year and a half ago we notified every department that they must send in requisitions or we would not audit their claims.
- Mr. Lord: Have they lived up to this requirement since that time?
- Mr. Mathews: They have been a good deal better since that. One duty of the Board of Auditors is to audit claims against the state. There are certain classes of claims that go to the Auditor General and some to the Board of Auditors to be audited.
- Mr. Lord: Can you tell us in the aggregate how many classes of claims are audited by the Board of Auditors and how many are audited by the Auditor General?
- Mr. Mathews: I couldn't say as to those audited by the Auditor General. There are probably thirty different classes audited by this board. That is, we probably have thirty departments whose claims come here. Perhaps, the same class of claims would go to the Auditor General as come here. For instance, there are certain board members' traveling expenses which go to the Auditor General, and some other board members' traveling expenses come here.
- Mr. Lord: Isn't it a fact that, in several departments, the auditing of the costs of that department is done both by the Board of Auditors and by the Auditor General? Put it in this way. The department of the Board of Auditors audits the accounts for salaries of a certain department or commission, and the Auditor General audits the accounts for traveling expenses of the same department. Do you think it is the proper way to audit state accounts?
- Mr. Mathews: I think it ought to go to one department; but I think the worst fault is that similar department claims come here to those which go to the Auditor General. For illustration, the State Board of Corrections and Charities used to send their bills almost entirely to the Auditor General. Some of the later legislation provides for child-caring institutions, etc., and it provides that those expenses shall be paid from the general fund. The expenses authorized by

early legislation go to the Auditor General and anything authorized by later legislation comes here. We have to audit claims that come under the general fund. The claims under appropriations go to the Auditor General.

Mr. Lord: Mr. Mathews, those things are not only wrong but they necessitate additional bookkeeping, don't they?

Mr. Mathews: Well, I don't know how much additional bookkeeping.

Mr. Lord: Well, they have to keep an account of it in the Auditor General's office, don't they?

Mr. Mathews: Yes. They have to keep two funds and we keep two funds. We keep two postage accounts for the Board of Corrections and Charities. The postage for the Board of Corrections and Charities would not have to come to this board, but they wanted it to come here.

Mr. Lord: This naturally necessitates a greater amount of labor and greater cost to the state?

Mr. Mathews: Yes, sir; I think it does.

Mr. Lord: Is there any conflict of laws in regard to the auditing of claims as done by this department with that done by the Auditor General's Department? Any similarity of statutory provision which directs the Auditor General to audit all claims and accounts, and any statutory provision which directs the Board of Auditors to audit the same claims and accounts?

Mr. Mathews: No, I don't know that there is.

(Section 114-124. Chapter 12, "Compiled Laws of 1915," Auditor General. Also Sections 148-159, Board of State Auditors. These sections were referred to and discussed by the Commission and Messrs. Odell and Mathews.)

Mr. Mathews: There is one other duty which the Board of Auditors has that I am not sure will continue. In the past we have checked up the claims for the Oil Inspector and I am not sure but what the act passed in 1917 will require him to turn in all his fees to the State Treasury and put through vouchers for his expenses. I called the attention of the board to this at our last meeting and was directed to get an opinion from the Attorney General in regard to the matter. But up to the present time we have checked up all Oil Inspection accounts.

Mr. Lord: You mean their claims for expenses?

Mr. Mathews: Yes. Under the present system the Oil Inspectors collect for oil inspection and then their expenses are deducted from the fees received, and any balance remaining is turned over to the state.

Mr. Lord: From the fees that the Oil Inspectors collect, they pay their own expenses and then turn anything that is left into the state treasury. Is that it?

Mr. Mathews: That is the way it has been done.

Mr. Lord: You checked simply the amounts according to the report sent to you? You don't know whether they have made a correct report?

Mr. Mathews: Well, they are sworn reports, and, furthermore, there is a system of receipts whereby each receipt is numbered and has to be accounted for to the Oil Inspector. We check up the reports to see that the railroad fares are correct and to see that no claims that

should not be included are shown. For instance, one man had in his report a charge for telephone in his house. Of course, we cut that out.

Mr. Lord: Do they turn in the balance in their hands every month, when they make their report?

Mr. Mathews: They turn it over to the Oil Inspector and he turns it over to the State Treasury every three months. It used to be at the end of every year, but we took it up with him a little while ago and requested that he make reports quarterly.

Mr. Lord: Mr. Odell, can you tell us approximately how much the Oil Inspector collects, or did collect last year?

Mr. Odell: I can't tell you off-hand, but I will get that for you.

Mr. Mathews: I think that, in the course of a year, they turn in approximately \$30,000 over and above their expenses.

Mr. Lord: Are there any other departments which conduct business in that way?

Mr. Mathews: None that come in this office.

Mr. Lord: Mr. Odell, are all the fees collected by departments, commissions and boards, now turned into the State Treasury?

Mr. Odell: It is my impression that under the 1917 act, they are. I don't know of any that are not.

Mr. Mathews: The Oil Inspector's year is a calendar year. Fees collected for the first quarter of this year were \$11,603.41. For the second quarter, \$8,491.03, for the third, the last quarter which has been reported, \$10,093.31, making for the three quarters, so far this year, \$30,287.75. In auditing claims, the board has two meetings a month. The law requires them to meet on the last Wednesday of every month for auditing claims, but we find there is too much to do at that time. We meet the day before that day, and also meet two weeks before those days for two days. Those are the regular days for the meeting of the board.

Mr. Lord: Are bills usually checked up before the board meets?

Mr. Mathews: Yes. Our office force goes through them and checks them up to see if the railroad fares are correct and that no excessive hotel charges are included.

Mr. Lord: What are your rules in regard to expenses? Have you any limitations?

Mr. Mathews: The board allows, not to exceed, \$5.00 a day outside of the state, and in Detroit and Grand Rapids. Then they allow, not to exceed, \$4.00 a day in Battle Creek, Kalamazoo, Flint, Bay City, Saginaw, Jackson, Lansing, Port Huron and Muskegon, and not to exceed \$3.50 a day in other parts of the state.

Mr. Lord: The Board of Auditors is also custodian of considerable state property, is it not?

Mr. Mathews: Yes. In the absence of the legislature we are custodian of the property used by them and of the state capitol grounds. There are also two blocks here in the city that we have jurisdiction over; these blocks being owned by the state.

Mr. Lord: What authority have you over the employes of the Capitol, such as janitors, etc.?

Mr. Mathews: We place these janitors usually on recommendation of the heads of the departments. The board did not feel that they

wanted to force an objectionable janitor on any department so they consult with the department head before the formal appointment is made.

Mr. Lord: Under whose direct supervision are those employees?

Mr. Mathews: F. C. Bennett, Superintendent of the Capitol.

Mr. Lord: Has he anything to do with engaging the services of these men?

Mr. Mathews: No, sir.

Mr. Lord: Does Mr. Bennett ever make reports to this board?

Mr. Mathews: He makes a report every month of the sale of old material, such as cast-off furniture, waste paper, etc. Things of that nature, the Board of Auditors authorize him to sell where sale would not exceed \$100.00. If the price is more than that, it is called to the attention of the board first. Mr. Bennett has a system of receipts made in triplicate by which he handles these matters. He gives one receipt to the party who makes the purchase, sends one receipt to the Board of Auditors with his report, and keeps one in his own book. Every one of those receipts is numbered, consecutively, so that it has to be accounted for. It is a very good system and I believe is accurate. Every month he makes a report on all sales. He makes a report at the first meeting of the Board of Auditors for the sales made the preceding month.

Mr. Lord: What disposition is made of proceeds from such sales?

Mr. Mathews: They are turned over to the State Treasurer.

Mr. Lord: Does he turn over the money himself to the State Treasurer, or do you?

Mr. Mathews: He turns it over himself and files his receipt with us.

Mr. Lord: Now, Mr. Mathews, will you tell us about the system of purchasing furniture, equipment, etc., for the various offices, how it is done and who does it?

Mr. Mathews: Our system is that if a department is in need of any furniture, it sends in a requisition to the Board of Auditors and I refer it to Mr. Bennett. Mr. Bennett takes it up with the department and, if it is a carpet that it is in immediate need of, he would arrange to go and make the selection, O. K. the requisition, and put on the dealer's name. We would then write an order for it.

Mr. Lord: Has there been any resolution, or order, passed by the Board of Auditors giving Mr. Bennett this authority?

Mr. Mathews: I don't know of any law that would require Mr. Bennett to take a part in the purchase of these articles. It has practically grown up. We have found that by having one man to look after this work, it is more satisfactory. He becomes accustomed to the prices. Mr. Bennett's services have saved the state a great deal of money in these matters.

Mr. Lord: So that as a matter of fact, the furniture is usually bought before it is brought to the attention of the Board of Auditors?

Mr. Mathews: Without it is for a large amount.

Mr. Lord: Would it cause the department ordering the furniture any great inconvenience if they had to wait two weeks, so that the board could pass on its requisition?

Mr. Mathews: Well, in a great many cases they are put up to the board, but sometimes, as I say, after a requisition comes in for material,

which the department is in immediate need of, it is referred to Mr. Bennett. For instance, if a requisition comes in just after the board meeting, it is often found necessary to get the material immediately. However, where I think that the department can wait I hold up the requisition for the Board of Auditors to consider.

Mr. Lord: How much furniture and office equipment has the State Board of Auditors bought during the last year, or on an average for the last two, three, or four years?

Mr. Mathews: I couldn't tell.

Mr. Lord: Has the board bought \$10,000 worth in the last three or four years?

Mr. Mathews: Yes, I think that would be a fair estimate. I think Mr. Bennett keeps a record of every order and the cost of the things ordered.

Mr. Lord: So that the department head really makes the selection of what is to be bought and the order for it is turned over to Mr. Bennett to make the purchase.

Mr. Mathews: I could hardly say that; Mr. Bennett is supposed to go with them and have a say in the selection.

Mr. Lord: If he thinks it is too costly, can he turn it down?

Mr. Mathews: Yes, and he does that very frequently.

Mr. Lord: So that, really, Mr. Bennett is not only the Superintendent of the Capitol Grounds and Capitol, but is also the purchasing agent for the Board of State Auditors.

Mr. Mathews: Yes, the board has really delegated that duty to him. You might call him that.

Mr. Lord: Does Mr. Bennett buy the coal and things of that kind that are used in the Capitol? I notice by the paper that you have a considerable quantity of coal on hand.

Mr. Mathews: That was bought by the Board of State Auditors. It was like this. At board meeting time the board thought best to have one hundred tons of coal put in the bunkers and they told Mr. Vaughan to have Mr. Hicks of St. Johns see if he could get some coal for us. I saw the telegram that Mr. Vaughan sent and the next thing I knew the coal was here.

Mr. Tompkins: What did you pay for that coal?

Mr. Mathews: I don't know. I know what the freight was, but not what the cost at the mine was.

Mr. Lord: What else does Mr. Bennett do under authority of the Board of State Auditors; except looking after janitors, elevator men, etc., selling of old furniture and the purchasing of new. Does he have any other duties?

Mr. Mathews: Of course, there are some of the janitors that are hall janitors, not assigned to any particular department. Those are appointed by the Board of Auditors and are under his immediate supervision. He looks after the elevator, lights, etc., and the upkeep of the building, also the grounds, flower beds, walks, etc.

Mr. Lord: If a department wants a new set of steel filing cases, for instance, who purchases them, Mr. Bennett?

Mr. Mathews: It is usually authorized by the board and referred to Mr. Bennett to purchase.

Mr. Lord: He makes purchases of all such equipment so that he really

purchases a large part of equipment for the offices and departments, doesn't he?

Mr. Mathews: Yes, sir.

Mr. Lord: Do you know of any duplication of effort on the part of the Board of State Auditors and the Auditor General. I mean actual, not what might be authorized and is not done?

Mr. Mathews: I don't recall anything.

Mr. Lord: Is there any compilation of claims, bills and accounts, or anything at all, done here and published, and which is also published and compiled by the Auditor General? Do you know of any duplication in that respect?

Mr. Mathews: I don't know just what his report covers. I never read it only as I have referred to it. Sometimes we put a claim through under one department head and it goes over there and he puts it under some other head.

Mr. Lord: That would be a duplication, would it not?

Mr. Mathews: Yes, that is a duplication, it is true. Take, for instance, the Attorney General's claims. We put them through under the department head of "Attorney General." The Auditor General puts, at least, part of them through under the head of "Costs of Suit."

Mr. Lord: That is a duplication of clerical work and cost of printing which would include the paper, etc., and it certainly constitutes a waste.

Mr. Mathews: I should think it would.

Mr. Lord: Duplication of work, Mr. Mathews, is a very important thing and if you know of any other duplication, other than that just referred to, I wish you would tell us about it.

Mr. Mathews: I can't recall any off-hand.

Mr. Lord: If the auditing of all claims of every kind and description was placed in the hands of the State Board of Auditors, there would be no danger of duplication and it would result in a considerable saving of money, would it not?

Mr. Mathews: I think so.

Mr. Lord: To get back to the printing again, has the Board of Auditors at any time, or does it contemplate doing it in the future, regulate the size of the reports issued by the various departments, commissions, etc.? Have they ever undertaken to cut down unnecessary detail in the reports?

Mr. Mathews: I don't know that they have. There are certain ones that the law limits.

Mr. Lord: Yes, I know, but very few of them.

Mr. Mathews: I took it up with Mr. Ellsworth of the Insurance Commission and he is going to cut his down. He came and talked with me about it and wanted to know if I didn't consider it would be just as valuable a report if it were cut down, and I told him I considered it would be better.

Mr. Lord: Could not the Board of State Auditors stop publication of any report that exceeded in size, say five hundred pages. That is, couldn't the board limit the reports to that number of pages? Don't you think it would be complied with?

Mr. Mathews: They might conform, but I don't know that the law gives that authority to the board. If that was to be done they would

have to begin the first of the fiscal year to keep their records accordingly.

Mr. Lord: Have you ever examined these reports, or has the Board of Auditors examined them?

Mr. Mathews: I don't know as they have.

Mr. Lord: You know as a fact, Mr. Mathews, that these reports contain a lot of useless detail?

Mr. Mathews: Yes, I think that is true.

Mr. Lord: What would you advise being done to remedy that condition?

Mr. Mathews: That is a pretty hard proposition.

Mr. Lord: Would you advise an enactment of a law limiting the number of pages and size of every report or reports of each department, or would you advise an enactment of a law delegating the authority to the Board of State Auditors to say how large these reports should be?

Mr. Mathews: I believe the better way would be to delegate it to the board and have them take it up with the department. If you limit it to a certain number of pages, there might be something come up that would make it impracticable, but if it was flexible we could use our judgment in cutting out what was not necessary. It seems to me there should be a little leeway there.

Mr. Lord: What action has the Board of Auditors taken in the matter of cutting down the number of these reports?

Mr. Mathews: I take it up with the heads of the departments and ask them if they can't get along with any less than they have ordered.

Mr. Lord: The reason I asked that is this. We have had correspondence with various County Clerks and we find that, in at least one-half of the counties of the state, where a lot of the reports, documents, etc., sent out by the state have been sent, they have been sold for waste paper. One County Clerk reported that last March he sold two tons that had been lying around his office. It seems to me that it should be the duty of the Board of State Auditors to cut the number of these reports.

Mr. Mathews: I don't know what kind of publication they refer to. In fact, I don't know how the different departments distribute their publications. We never have more than five hundred of our reports printed. We turn over one hundred and twenty-five to the State Library, fifty to the Secretary of State; then we send them to members of the legislature, ex-members of the board, and so on. We don't send any to County Clerks.

Mr. Lord: How many of the state documents and reports do you read yourself?

Mr. Mathews: I don't have time to read them. I keep them here for reference as samples of binding, etc., but I don't read them.

Mr. Mathews: I think that if they were condensed, it would be better.

Mr. Lord: There would be more of them read, and there would be a saving in cost to the taxpayers of the state.

Mr. Mathews: Yes, I think that is true.

Mr. Lord: Has the board established any standard in the matter of office equipment and supplies in the departments?

Mr. Mathews: They have not adopted any standard.

- Mr. Lord: It is really then a hit and miss proposition as far as purchase of equipment is concerned.
- Mr. Mathews: They have been starting a new system of filing; that is, when cases are ordered, they have bought the steel cases to get away from fire, etc. Of course, some of the departments have wood filing cases.
- Mr. Lord: Do you keep a supply room where you keep a stock of such things on hand, such as stationery, etc.?
- Mr. Mathews: Yes, sir.
- Mr. Lord: Where is it located?
- Mr. Mathews: We have one in the basement, one on Ottawa street, and one under the Capitol National Bank Building.
- Mr. Lord: What record do you keep of those stock rooms?
- Mr. Mathews: Those are stock rooms for paper and supplies, adding machine rolls, etc.
- Mr. Lord: You know what is in there, don't you?
- Mr. Mathews: Yes, sir.
- Mr. Lord: What do you do when a roll of paper is taken out?
- Mr. Mathews: It all goes out on requisition and is posted on our stock cards.
- Mr. Lord: Do you take an inventory?
- Mr. Mathews: Yes, every two months.
- Mr. Lord: A complete inventory of everything you have in each stock room?
- Mr. Mathews: Yes, sir.
- Mr. Lord: Who takes that inventory?
- Mr. Mathews: Mr. Benjamin and Mr. Riley. Nothing goes out except on requisition. When we are writing an order for printing, we figure up the paper that will be used and check that off on the cards.
- Mr. Lord: What inventory, if any, do you take of the equipment, supplies, etc., in the different departments; of these different supplies and material gotten from the Board of Auditors on requisition?
- Mr. Mathews: We take an inventory of that.
- Mr. Lord: How often do you take the inventory?
- Mr. Mathews: As often as furniture is purchased. For instance, if a desk is purchased for the Auditor General, after it is ordered, the duplicate voucher is turned over to Mr. Benjamin. He goes into that department and puts an inventory number on that desk. The voucher is then turned over to one of our clerks, and she enters it on a card showing where the desk is located.
- Mr. Lord: Do you have anything to do with the inventory of stationery, etc., in the different departments?
- Mr. Mathews: There is none taken that I know of.
- Mr. Lord: What do you do where anything is transferred from one department to another?
- Mr. Mathews: When we catch it, we can show it on the cards. That is one thing that is rather lame. They might transfer something to another department or turn it over to Mr. Bennett and we would not know it.
- Mr. Lord: Why shouldn't he report those matters? Do you think that Mr. Bennett should have the authority, or assume the authority, to

approve the transfer of any furniture, without the Board of Auditors knowing anything about it?

Mr. Mathews: Lots of times he might not know of it.

Mr. Lord: Has the executive head of an office any authority to dispose of furniture in his office?

Mr. Mathews: Not that I know of.

Mr. Lord: Then, if he does it, it is irregular or illegal. Is this done very often?

Mr. Mathews: Once in a while. We occasionally find a mix-up on typewriters.

Mr. Lord: Couldn't you adopt a system here whereby a complete check could be made on such transfers from one department to another? If you don't do that, how do you know you have all the equipment you have bought?

Mr. Mathews: Don't know as we would know.

Mr. Lord: Would it not be wise for the Board of State Auditors to adopt a system, so that no transferring of equipment could be made unless on your approval, and then request the Superintendent of the Capitol to report all such transfers?

Mr. Mathews: I don't know. It would be rather cumbersome. A great many times a chair might play out and it would be turned over to the Superintendent of the Capitol and later a requisition put in for same.

Mr. Lord: But he should be required to keep a record of that chair, and the last of every month report to the Board of Auditors on these matters. Unless this is done, I do not see how you can get a correct inventory.

Mr. Mathews: I don't think the inventory is very accurate, but we keep it the best we can.

Mr. Lord: So that really the Board of State Auditors, being custodian of state property, does not know what it has?

Mr. Mathews: I don't know as we would be the custodian in the different departments.

Mr. Lord: Who would be, the executive heads of the departments?

Mr. Mathews: I think so.

Mr. Lord: Why do you take an inventory in the departments and number the articles if the head of the department is custodian? If the Board of Auditors was not custodian of furniture in the office, it would not have any right to go in there and take an inventory.

Mr. Mathews: We would not take inventory unless it was bought from an appropriation.

Mr. Lord: Most of the furniture purchased is charged to the general fund, isn't it?

Mr. Mathews: Not all of it. All the furniture for the Industrial Accident Board is charged to their appropriation. If it was a department like the Game, Fish and Forestry Department, whose claims go direct to the Auditor General, we would have no way of knowing about the purchases. It could be systematized better if claims all went to one department.

Speaking about having somebody to turn the work over to, calls to my mind what I have often advocated the state should have. We should have someone when a question arises we could refer it to, and have him investigate. Take, for instance, the claims of County

Agents. Sometimes these look a little doubtful, and it is necessary to write back and ask if the work took two days and why, etc. Lots of times we find duplications of dates and, if in auditing those claims, we have a suspicion that the man is crooked, we really have no way of investigating. If he is crooked, we ought to find it out. If we had a sort of a secret service man, whom we could refer these matters to, I believe it would be more satisfactory.

Mr. Lord: Mr. Mathews, do you know of anything that you could put in here, by way of equipment, that would increase the efficiency of the office at all?

Mr. Mathews: I don't know of anything in our department.

Mr. Thompson: Do you know of anything that could be placed in any of the departments that would increase the efficiency of the working force?

Mr. Mathews: I don't know much about the other departments.

Mr. Lord: So that, so far as you know, you have everything you need by way of equipment, and you think that the employees are all efficient?

Mr. Mathews: I think so.

Mr. Lord: Are these people in your office appointed because of their qualifications or because of their political affiliation?

Mr. Mathews: A little of both, I believe.

Mr. Thompson: I notice that you let your printing for so many thousand ems. Would it help the state if you had a further classification?

Mr. Mathews: I don't think so.

Mr. Thompson: As it is, all printing goes to one firm?

Mr. Mathews: On our former contract; we split it up some.

Mr. Thompson: What was your experience in splitting the printing up in smaller units?

Mr. Mathews: It was not satisfactory.

Mr. Thompson: For what reason?

Mr. Mathews: It was too complicated. When a job comes to you, it is hard to know just what item that comes under. For instance, the manuscript is liable to be written with typewriter and it is hard to know what item it will come under when printed. Binding is a little different. You can split that up better than printing.

Mr. Thompson: Would it be possible to split it up so that the institution at Kalamazoo or Adrian could bid on the equivalent of one report or several reports?

Mr. Mathews: There are certain items that could be bid on. For instance, the Red Book or Manual is an item by itself. Public Acts is an item by itself. They would have to pick out some item like that.

Mr. Thompson: You don't find it advisable, however, to divide it up?

Mr. Mathews: In the last bid there was nothing to divide. The present contractor was the lowest bidder on all items in printing.

Mr. Thompson: How many other bidders were there?

Mr. Mathews: One or two.

Mr. Thompson: Do you ever have any bids for less than all the work?

Mr. Mathews: Yes, sir.

Mr. Thompson: Did you at your last letting?

Mr. Mathews: I don't know as we did.

Mr. Thompson: Can you remember the last time when you did have any bids for less than all the work?

Mr. Mathews: On the contract prior to the present one, we did. For instance, we let some parts of it to Lawrence & Van Buren. They were given 57 and 57A, also 138, and one other concern got all the rest.

MICHIGAN SECURITIES COMMISSION

Mr. Lord: - Mr. Chairman, will you tell us something about the activities of the Securities Commission, what its duties are, what you accomplish for the people of the state by way of benefits, etc.?

Mr. Merrick: I imagine perhaps you better hear from Mr. Oates on this, Mr. Lord.

Mr. Oates: In view of your long experience, Mr. Merrick, you perhaps might be able to give the Budget Commission more information regarding affairs prior to the time I became identified with it. I should be very glad to explain matters I have been cognizant of since I have been here.

Mr. Merrick: Well, I presume the duties of the commission are well known to you gentlemen of the Budget Commission, in a general way. The approval of stock issues, except those exempted under the law, before they may be sold to the public in Michigan, covers it partly. The commission has also felt that it should undertake to protect the public in making investigations regarding reports received that, on the face of them, might look fraudulent. We try to keep in touch with stock brokers as much as possible, receiving advice from them as to stocks that are sold; any complaints made regarding stock sales are investigated by the commission. Originally, there were many exemptions that were taken advantage of in the law; for instance, corporations listed in certain manuals were exempt. I believe of late the commission has taken the position that they should not be exempt and we are requiring that all stock issues be submitted for approval before sold.

Mr. Lord: What do you mean by stock issues; do you mean stock issued to original incorporators as well as to the general public?

Mr. Merrick: No, I think that is one of the exemptions under the law. Stock issued to original subscribers is exempt.

Mr. Oates: In other words, the purpose of that exemption was to permit people to comply with the incorporation laws of the state by subscribing for the required amount of capital in order that they might file the articles with the Secretary of State; but, we have taken the position, on stock issued to original subscribers, that if it is subsequently sold to the public that the stock must be approved, provided they are offered in continuous transactions.

Mr. Lord: If it is offered privately, would you have jurisdiction?

Mr. Oates: Yes, if there is more than one transaction, and we think the ruling is necessary in order to protect the public.

Mr. Lord: When you grant a certificate to a corporation to issue its stock or bonds, on what do you base your decision?

Mr. Oates: Well, in the first place the applicant must file with us all

blanks which we have prepared and which give full information in reference to the financial status of the company. If assets of an intangible nature are designated in the application, it has been the custom of the commission to require its experts to appraise or determine the value of such assets, and if the principal asset of the company is intangible, an examination might be taken in order to ascertain the commercial possibilities. If it is a mining corporation or timber company, we have been utilizing state experts to advise with us on these values. All examinations are made at the applicant's expense.

Mr. Lord: Who makes those examinations?

Mr. Oates: State Geologist R. C. Allen makes examinations of mining corporations, Professor Vedder of M. A. C. examines numerous patents, etc.; Mr. Odell of Detroit, Consulting Engineer, makes some examinations.

Mr. Lord: Do you know anything about the method Professor Vedder employs in his examinations?

Mr. Oates: I shall be very glad to submit his reports; would be glad to furnish copies of every one of our engineer's reports.

Mr. Lord: Getting the value of intangibles is a very important thing in this work and there would have to be a reasonable degree of accuracy or you would get off in your work.

Mr. Oates: Surely. In addition to the expert examinations I have referred to, the commission employs two or three men who make it their business to examine and audit the applications of companies, and subsequently, we make it our business to examine their affairs for the purpose of ascertaining if there is any fraud, and, it is my opinion, that therein lies the most important service we can give the public. In numerous instances, we have had cases of companies who have gone back to the places where they have come from and voted large sales or have taken stock for intangible assets without approval. By periodical examinations we find those things out, and in many cases the commission has revoked their licenses. There is not a great deal of publicity given these matters for this reason. Michigan people invest in these companies, and if we can help the people by putting these companies on a sound basis, I believe more is accomplished than might be by publicity. I might say here that it is the plan of the present commission to prepare a report which they will submit to the legislature next session. While the law does not contemplate that we do this, in order to inform the people of the state just what we have done, we expect to file that report this year and we can probably estimate, in a definite way, the amount of wild-cat stock that we have prevented the sale of in this state. Roughly, I would say it would run pretty near to one hundred million dollars.

Mr. Lord: How deeply do your examiners go into the affairs of corporations when they make periodical examinations?

Mr. Oates: Mr. Olmstead is right here, we will ask him to answer that question.

Mr. Olmstead: I am just now writing up a report of the examination of one company; we go in and find out just how much money is taken in from the sale of stock and if it agrees with the amount approved by the commission, and to find out what they do with the money.

The first item here is a small amount, being cash on hand; we go to the bank and reconcile their bank account; I found that of the \$9,600.00 stocks and bonds, \$200.00 was Liberty Bonds, and \$9,400.00 was invested in a subsidiary company of their own. After they came to the commission, they organized a company which we are going to investigate further.

Mr. Lord: How do you determine the value of the assets?

Mr. Olmstead: The value was placed here by the commission from reports by State Geologist Allen, and other reports. Here is an item of \$75,630.72 on their plant, some in cash, and \$51,250.00 for land. I got the contract from the company and found out it agreed, also took their vouchers and checked those back with checks they had drawn, checking back with the bills of lading also, to show that the money actually went into the plant. Numerous other amounts were checked out in the same way. They show an expense of \$8,061.09; practically \$2,500.00 was for advertising. We check this all out as near as we can; also they show \$3,635.00 for salaries and that item was checked out to find out who got the money because they were not to receive any salaries as officers of the corporation.

Mr. Lord: The examination really consists of ascertaining whether the corporation, or company, has complied with the rules of the commission.

Mr. Olmstead: Well, yes. Here is \$21,465.00 commissions on stock sales. The commission sets the rate of commission they allow them to pay on stock sales. In some other states they pay as high as 40, 50 and 60 per cent on some stock, which is unreasonable. The commission allows them 15 per cent, invariably. We check those amounts out and have sometimes found they were not correct. We examined a corporation a short time ago which we made put back \$18,000.00.

Mr. Lord: Are these items a copy of the statement?

Mr. Olmstead: I make my own statement, they are regular book accounts. The liabilities only consist of two items.

Mr. Lord: Are your examinations made subsequent to the sale of stock?

Mr. Olmstead: Yes.

Mr. Lord: How long does it take to make an examination, ordinarily?

Mr. Olmstead: Well, it all depends. If the institution is clean, that is, the books kept up well, it does not take very long.

Mr. Lord: After you have made these examinations, in what manner do you handle the fees paid by the corporation examined?

Mr. Olmstead: We usually ask them for a fee to cover the cost of the examination.

Mr. Lord: You make them pay the fee in advance, then.

Mr. Olmstead: Yes, sir.

Mr. Lord: What are the charges?

Mr. Olmstead: The law provides for \$7.00 a day for the time we are away from Lansing, and our traveling expenses.

Mr. Lord: What is done with the money you collect in advance?

Mr. Oates: It is put in an unapplied account and deposited with the State Treasurer.

Mr. Olmstead: I make out my bill for the time I am away from Lansing, so much to Olmstead and so much to the state; the bills are approved

by the commission and paid out of the money on deposit with the State Treasurer.

Mr. Lord: Approved by the commission, but not audited by the Auditor General or by the Board of State Auditors?

Mr. Oates: Bills are approved by the commission.

Mr. Lord: Are any of your bills audited by the Auditor General?

Mr. Oates: Oh, yes, all except these.

Mr. Lord: That is, if you make the examination first, your expenses are paid from the general fund and those accounts are audited by the auditing department.

Mr. Olmstead: Just the other day I made up a bill; we went up last fall to Alpena and did not have any money up there; my bill was put in through the Board of Auditors, and we afterward got in touch with the corporation and they paid the money.

Mr. Lord: Where you don't receive a deposit, your course is to bill the corporation for the amount?

Mr. Olmstead: Yes, sir.

Mr. Lord: Where there is no deposit made, you bill the corporation, collect the fees and turn them over to the State Treasurer?

Mr. Oates: Yes, sir.

Mr. Lord: In cases of that kind are the expense vouchers audited by any part of the state government?

Mr. Oates: Where examinations are made, the examination expenses are all approved by the Board of Auditors.

Mr. Lord: Are there any corporations examined which do not pay the traveling expenses?

Mr. Oates: Not to my knowledge. If, for instance, we should examine a company who had not filed an annual report and our examination should reveal the fact that the company has gone out of business, the expenses of that examination would go to the Board of Auditors for approval.

Mr. Merrick: The deposit account consists only of amounts deposited by applicants.

Mr. Lord: What is the object of having funds received by the commission credited to so many different funds?

Mr. Merrick: This deposit will ultimately work itself all out; it will either go to the examiner or be returned; it is a temporary account.

Mr. Lord: The point I wanted to make is that your expense accounts are not audited by any state auditing department.

Mr. Oates: Just those accounts.

Mr. Lord: Don't you think it would be a pretty good thing for the commission if that was required?

Mr. Oates: Personally, I see no objection to it.

Mr. Merrick: I would not have any objection to it. The only interest is between this department and the applicant.

Mr. Lord: The fact that it is a corporation that pays a fee doesn't mean that it is not public business.

Mr. Oates: All our records are public records.

Mr. Lord: The fact is that we should have uniformity in the matter of checking up all the expenses of the state, and in the accounting system.

Mr. Merrick: Well, that is the point; there is no expense to the state.

Mr. Lord: Well, you could say that about several departments of the state; the Insurance Department, for instance, and your own department, Mr. Merrick. In your department all of that money goes into the general fund and your vouchers are all audited; now, isn't that the easiest and best way to do it?

Mr. Merrick: There would not be any objection but, of course, the applicant has a right to object to these bills. If they are wrong they would have to be made right. I think it would be better to have it the other way.

Mr. Lord: My contention always has been that all moneys of every kind and description collected by any agency of the state should be turned into the state treasury and paid out only on warrant of the Auditor General; then you have a complete transaction that the public will understand. Then, if anybody wanted to find out what the actual expenses of the state government are, they would go to the Auditor General; now, under this system would he have any record of the actual expenditures of this department?

Mr. Oates: He would, except those particular examination fees. I will tell you that this question of economy should be taken from another angle. The question of centralizing the authority of these departments and getting down to the root of the thing; we have in the Secretary of State's office a corporation division, which it costs a great deal of money to conduct; there are companies that file articles of corporation there and then they have to come here right afterwards to get permission to sell their stock; that work ought to be done here. Take the Game Department and the Fish Department, they are doing duplicate work. You could have the present force in the Game Department take care of all the Fish Commission work.

Mr. Lord: Your idea would be to create a corporation department that would pass on the whole thing.

Mr. Oates: Yes; now here are the companies that organize and pay franchise fees, admitting them to go ahead and do business; we could tell, if we had jurisdiction, whether it should do business in the state and we could do it with practically the force we have now. I tell you there is a tremendous field for centralization of work in the state.

Mr. Thompson: Which way ought it to be handled?

Mr. Oates: I believe the management of same should go to this department. The Secretary of State's office simply goes through the form of procedure of passing on articles of association, in which they allege they are turning in so much real estate or something of that kind; they have no way to determine, as we have; they have to admit the corporation as a matter of course.

Mr. Lord: The question I raised in regard to auditing of accounts had no connection whatever with the economical conduct of this department, simply whether this department should not have its accounts pass through the same channels as do the accounts of other departments.

How many examiners have you?

Mr. Oates: We have three men on the pay roll.

Mr. Lord: What are those men paid?

- Mr. Oates: Our chief examiner gets \$3,500.00 a year, one other examiner \$2,500.00, and one \$2,000.00.
- Mr. Lord: Who fixes those salaries?
- Mr. Oates: The commission, and they are approved by the Board of Auditors.
- Mr. Lord: What do you pay your special examiners?
- Mr. Oates: \$25.00 a day to expert examiners, such as a patent engineer or mining engineer.
- Mr. Lord: What do you pay men who make the appraisal of property?
- Mr. Oates: That is usually done by our own men.
- Mr. Lord: Do you have many examinations that are made by expert examiners?
- Mr. Oates: Why, during the year I suppose Mr. Allen might make from twenty to twenty-five of those examinations.
- Mr. Lord: What does Mr. Allen get as head of the Geological Survey?
- Mr. Oates: I think it is \$5,000.00 a year.
- Mr. Lord: And he is paid extra at the rate of \$25.00 a day for your work?
- Mr. Oates: No. At a recent meeting I think his salary as State Geologist was fixed at \$5,000.00 a year with the understanding that the money for all examinations made for this commission should be credited to the fund of the Geological Survey.
- Mr. Lord: What does this man Odell examine?
- Mr. Oates: Why, he is a consulting engineer, examines patents, good will and other intangible assets.
- Mr. Lord: Will you tell us what procedure is taken by the commission in the matter of stock placed in escrow?
- Mr. Oates: At the time of the hearing on the application, if the commission determines that a certain amount of stock issued for any form of intangible assets shall be deposited in escrow, they issue an order to that effect and require the corporation to file certificates with this office at the same time they execute an escrow agreement, which agreement together with the stock certificates is sent in here and filed with the State Treasurer.
- Mr. Lord: Is the agreement made with you or with the State Treasurer?
- Mr. Oates: They come here first for approval and we deposit with the State Treasurer. That is done on formal resolution of the board.
- Mr. Lord: Do you make any subsequent modifications of these orders?
- Mr. Oates: We have in some instances, that is done on resolution of the commission. There is no matter of any importance passed on by any officer without the approval of the commission.
- Mr. Lord: What are the requirements for the return of the stock placed with you in escrow?
- Mr. Oates: The general provision of the agreement is that the company must be on a 6 per cent earning basis before it is released and when the corporation desires it to be released it makes a formal application. The commission refers it to one of its examiners and he makes an examination to find out the condition of the corporation. One examination Mr. Olmstead made a short time ago, he found some of the stock had been sold, and the commission ordered that a certain amount of the stock be cancelled and returned to the Treasurer.
- Mr. Lord: What authority have you over promissory notes?

- Mr. Oates: It is one of the exemptions in the law that it does not affect the sale of unsecured commercial paper.
- Referring again to approval of stock issues, I think that the subscriptions to the stock of all companies whether the stock is original or otherwise should first be passed on by this commission. I think this original stock exemption should be omitted from the act.
- Mr. Merrick: That may be true but I do not agree with you on that, Mr. Oates. I think if you or I want to organize it should be given the corporation rights of the state. If we want to organize and want the stock ourselves, I cannot see why we should not do it.
- Mr. Oates: It would be a very difficult matter for us to follow a transaction of that kind if it got into the market. I think it ought to be regulated in its inception.
- Mr. Lord: You think in that case there would be a possibility of subsequent distribution of the stock?
- Mr. Oates: The great difficulty would be in following up a sale that is made by some fellow who has subscribed for some original stock. The principle that Mr. Merrick contends for is undoubtedly correct and thereby lies the confusion on these two acts.
- Mr. Lord: What do you do in a case where articles of incorporation have been refused by the Secretary of State?
- Mr. Oates: We never get them here.
- Mr. Lord: Is that true also in cases of foreign corporations?
- Mr. Oates: Absolutely, yes sir. They have to file certified copies of their articles certified to by the Secretary of the state where the corporation was organized.
- Mr. Lord: But, if not admitted to do business by the Secretary of this state, then what?
- Mr. Oates: That is two different legal propositions.
- Mr. Lord: Now, the question is whether they would sell their stock in violation of the corporation laws of the state provided you gave them permission to sell stock.
- Mr. Oates: There is a possibility of that under the present laws. That is another reason why we ought to determine whether they ought to do business in this state. I think section ten should be amended.
- Mr. Lord: Getting back to the corporation matter; isn't there more or less of a duplication of effort between this department and the corporation division of the Department of State?
- Mr. Oates: Why, I don't know whether you would call it duplication; we pass on the same matters as the Secretary of State's office.
- Mr. Lord: Yes, and there is more or less expense incurred for filing and keeping records, etc., isn't there?
- Mr. Oates: Yes, there is; I believe there is duplication of work. It is also true in the filing of reports by companies. I don't think that the state should require unnecessary duplication of reports from companies. Our act requires them to file with us an annual report, the Secretary of State's office requires the same thing.
- Mr. Lord: Does your act prescribe the form of that report?
- Mr. Oates: Yes. Also for increase in capital stock. Lots of them, when they file for record an increase in capital stock with the Secretary of State's office, think they have complied with the law, but it

should have been filed here also. Fifty per cent of them think all that is necessary is to file it with the Secretary of State.

Mr. Lord: In case of railroad corporations, for instance; they would have to file three reports, wouldn't they?

Mr. Oates: They are exempt from the provisions of our law, the public utilities all are.

Mr. Lord: Your idea would be to have one department pass on all corporation matters.

Mr. Oates: Pass on all securities.

Mr. Lord: In that case, would you advocate the employment of a state engineer? Couldn't a state engineer, a competent man, do all the work now done by your expert examiners and appraisers?

Mr. Oates: I never knew an engineer that was versed in all these branches of the work.

Mr. Lord: If the engineer himself did not do it, he would probably have someone in his office that could do it.

Mr. Oates: Yes, that might be done.

Mr. Lord: Don't you think it would be a good thing?

Mr. Merrick: I think it would be a good thing provided the engineer could work along all lines required by the Securities Commission and the Railroad Commission; it would be a very good plan, I should think.

Mr. Lord: What annual salary do you get, Mr. Oates?

Mr. Oates: \$4,000.00; the chief examiner gets \$3,500.00.

Mr. Lord: What is the procedure now when an examination of a corporation is ordered? Are you directed by the commission to go to a certain place, Mr. Olmstead, and make the examination?

Mr. Olmstead: Yes sir, by letter.

Mr. Lord: So that the transaction is a matter of record?

Mr. Olmstead: Yes sir, and I file a typewritten record of my findings.

Mr. Oates: In addition we have something of a card record so that we can tell anybody very quickly what the history of the whole corporation is. I think the commission attempts in every instance to see that the corporations are in proper shape, that there is no fraud in them. One of the big things we can do is to become a clearing house to the public on these companies. All these companies should be subjected to periodical examinations. There is reason why the money of investors should be protected; there are thousands of companies operating in Michigan that were in this old manual list proposition which was repealed. Now, every company, no matter whether it is the Goodyear Rubber Company, Armour & Son, or some little company out in the country, have to come here.

Mr. Merrick: I think the list of manuals required a certain amount of investigation before they could be listed. Investigations in the last year or so developed the fact that this was not the case.

Mr. Lord: What are the necessary qualifications required for appointment to a position with this commission, such as examiners or clerks?

Mr. Oates: Most of our clerks are stenographers. We have one filing clerk who had considerable experience in the Auditor General's office, and we have one bookkeeper.

Mr. Lord: How do you pick your examiners?

Mr. Oates: They have been largely selected on account of qualifications

in other lines of business. Mr. Olmstead was for many years a bank examiner; Mr. Towne was in the Auditor General's department; Mr. Munshaw's work is of a special nature. He makes examinations of certain companies, but most of his work is in running down violations of the blue sky law that we don't get at.

Mr. Lord: What are the penalties for these violations?

Mr. Oates: Fines and imprisonment.

Mr. Lord: Where does the money from fines go?

Mr. Oates: Goes to the counties.

Mr. Lord: Don't you think it should go to the state?

Mr. Oates: The act never contemplated that we would be a self-supporting institution, but as a matter of fact we have probably turned over to the state \$40,000 or \$50,000 since our operation.

Mr. Lord: I do not see why the county should get all the benefit by way of fines, etc.

When did this commission start the deposit fund?

Mr. Oates: Before I came to this department. I think, the early part of last year.

Mr. Lord: What disposition was made of the money before that time?

Mr. Merrick: My recollection is that it was handled by the Securities Commission themselves. The money was retained, I think, up to about two years ago, since that time it has been deposited with the State Treasurer.

Mr. Lord: Are your various orders all authorized by resolution of the commission?

Mr. Oates: Each matter is handled separately, each order separately authorized, that is the rule.

Mr. Lord: The expenses and per diem of these expert men, is it a general authorization that they each receive \$25.00 a day and expenses, or are they told what compensation they will receive every time an examination is ordered?

Mr. Oates: They put in their bill for what their services are.

Mr. Lord: I understood you to say that the charge has been \$25.00 a day.

Mr. Oates: That is what has been allowed.

Mr. Lord: That is the uniform rate of pay?

Mr. Oates: Yes, for engineers.

Mr. Lord: So that it is handled by the presentation of a bill, approved by the commission, authorizing the treasurer to pay that amount of money?

Mr. Oates: Yes, sir:

(Records show the following amounts paid to expert examiners)

Mr. Allen, July 1st to October 30th, 1917.....\$ 374.75

(Mr. Oates: That was under the old arrangement before the Geological Board made the change.)

Mr. Allen, from date above to June 26th, 1918....\$1,011.45

Mr. Odell, from July 1st, 1917, to June 26th, 1918,
services and expenses.....\$1,194.13

Mr. Vedder, from July 1st, 1917, to June 26th, 1918....\$1,036.55

Mr. Lord: What position does Mr. Vedder hold at the Agricultural College?

Mr. Oates: I think Professor of the Engineering Department.

- Mr. Lord: Do you know whether he gets an annual salary at the College?
- Mr. Oates: I think so.
- Mr. Lord: No allowance made, possibly, for the time he is engaged in the Securities Commission work?
- Mr. Lord: Do you make a record of the authorizations of the Board of Auditors fixing the rate of salary of yourself and of the other salaries in the office?
- Mr. Oates: Oh, no.
- Mr. Lord: Do you have any record of their authorization by the commission?
- Mr. Oates: I think when the board of auditors approve it, it is authorization enough.

PUBLIC DOMAIN COMMISSION.

- Mr. Lord: You are the Secretary of the Public Domain Commission, Mr. Carton?
- Mr. Carton: Yes sir.
- Mr. Lord: Will you state what your duties are as Secretary of this commission, and what the various activities of the commission are? What you have done, what you are doing and what you propose to do in the future?
- Mr. Carton: One of the things we have done has been to classify the lands as we went along, so that those lands that don't have anything on them, cut over lands, are so noted on our records so that they could be eliminated from the trespass list. We are working that out so that we will probably be able to eliminate from one-fourth to one-third of the acreage, and will not have to look after that nor include it in the trespass list.
- The Public Domain Commission has charge of all the lands owned by the State of Michigan, which comprise, approximately, six hundred thousand acres. In addition to that, they have charge of all of the work along reforestation lines; have charge of all the lake bottoms in the state, including the handling of the St. Clair flats; selling of sand and gravel from the lake bottoms; have charge of such work as Michigan is doing along what is known as immigration lines and the settlement of such land as is suitable for agricultural purposes. In all cases where state lands are made available for state settlements, a thorough examination is made of every piece to see that it has agricultural possibilities before we either dispose of it or allow it to go to homesteaders. All of the original records of every man's home and of every man's farm in the State of Michigan are here. We are the custodians of the original records of every foot of land within the State of Michigan. The handling of the activities along the land line is largely the handling of homestead property which is now somewhat limited and getting more so all the time, and the disposing of or handling of city and village property which comes to the commission through the Tax Homestead Law. There are about 500,000 acres of land which came to the state through channels of the Tax Homestead Law. About 100,000 acres in addition to the 500,000 acres are the

remnants of land received from the United States Government under the act which admitted Michigan into the union; this act allowing Section 16 of every township in the state to become state property. Later on, swamp land was made which gave to the state other land; there were at different times some 2,400,000 acres which reverted to the state for non-payment of taxes for a period of five years. The State of Michigan at one time or the other has owned some 11,000,000 acres of land.

We also do the work formerly carried on by the State Land Department. That is, the furnishing of plats, writing of field notes, and all of those things which originally the Land Department did. Also, we have the work of conservation. We have about one-half of the lands in the State of Michigan set aside for reforestation purposes, and this list shows the number of acres in the different reserves in the different counties. It is our hope that with proper fire protection and the planting of such acres of land that have from extreme fire or other causes become almost cleared, that in time we can reproduce in Michigan, to a limited extent, at least, some of the timber that we originally had. There is set aside for that purpose 274,000 acres of land and these exchanges that Mr. Lord just read about are for the purpose of allowing us to block solidly this land. The United States Government is doing the same thing. They have two reserves, one in Iosco county and one in Marquette county. By this exchange with them they are getting all the state lands within their boundaries and we are getting all government lands within the boundaries of our reserves. When these exchanges are completed, the state will have 20,000 more acres of land.

Mr. Lord: What has been the cost of effecting those exchanges?

Mr. Carton: We have that. The cost of trespass and examination; we can give you those figures.

Mr. Lord: What we would like to get is the exact cost of effecting the exchanges of these lands.

Mr. Carton: I might say this. With our system of keeping track of affairs, which we think is very good and we hope you will think so, we can tell you the cost of every horse on any one of our reserves and what it costs to shoe them, or feed them.

Mr. Lord: Under the rules of the commission, what constitutes a trespass?

Mr. Carton: A man going on any land and taking property without the consent of the owner of the land.

Mr. Lord: Have you prosecuted many cases for trespass?

Mr. Carton: Not very many.

Mr. Lord: Do you usually effect a settlement with the trespasser?

Mr. Carton: That is according to whether it is a wilful trespass or whether it is a mistake. Sometimes it is a mistake and if we determine that it was not a wilful trespass, it is settled. If a man deliberately and knowingly steals timber, we prosecute him.

Mr. Lord: How many did you prosecute last year?

Mr. Carton: Now, let me say to you, Mr. Lord, that our department, for the purpose of carrying on this thing, has a supervisor of field division. He has a record of all those things, and when we take up that branch of it, we can get it.

- Mr. Lord: Do your trespass agents do anything else beside looking after trespasses?
- Mr. Carton: They make examinations as well.
- Mr. Lord: So that the cost, as shown, will show both costs of examinations and trespass?
- Mr. Carton: We divide it in two. If a man works a day and makes an examination and while there if he spends another day looking over trespasses, when the reports come in, there is a division made as to expenses, etc.
- Mr. Lord: Trespass agents last month cost \$1,166.91; does this figure include traveling expenses?
- Mr. Carton: I think it does. We have two men operating in the Upper Peninsula and others in the Lower Peninsula.
- Mr. Lord: What is this item of \$4,626.72 for laborers in connection with trespass work?
- Mr. Carton: That is for repairs on reserves.
- Mr. Lord: In your classification of disbursements, you show the custodians at \$5,190.00, and in this statement it is \$525.00. How is that?
- Mr. Carton: That statement is for the month of June isn't it?
- Mr. Lord: So that your trespass agents really cost in the neighborhood of \$14,000.00 last year?
- Mr. Carton: You really couldn't figure a trespass agent at much less than \$2,000.00 a year, including his traveling expenses.
- Mr. Lord: How many have you?
- Mr. Carton: Seven. They have practically done all the trespass and examination work.
- Mr. Lord: You have an item of cost for land examiners, \$171.00; that would show that the big cost was for the trespass agents.
- Mr. Carton: I will tell you what we do. If we should get an application for exchange in the neighborhood of some of these reserves, we would send one of our men from the reserve over to examine the land. I will tell you what there might be about this. The month of June might have been a very limited month as to applications for exchanges, and that figure is probably for the month of June. You would have to take it for a whole year instead of a month.
- Mr. Lord: Your total cost according to classification of land examiners was only \$4,314.93, so that the cost of examinations does not compare with that of trespass agents, which is \$8,545.03. Now, the question is, whether it is profitable for the state to pay for these men to go around and see if anyone has stolen fifty cents worth of property.
- Mr. Carton: That is always a question. The same thing applies to the question as to the value of the trespass agent, as to the question of the value of a policeman. While it is true that a balance to the profit of the state never can be shown, the fact remains that they are on the job and that their presence prevents a lot of things being done that probably would be done if they were not there. There never has and never can be shown a profit, so that there is always a question in the minds of the people, and in my mind, whether it is highly profitable or not. I think it is or I would not be in favor of retaining it.
- Mr. Lord: Are these land examiners, and you have several of them, kept busy at \$4.00 a day?

- Mr. Carton: The trespass men are practically kept busy all the time. They get paid when they work, and they work perhaps seven-eighths of the time.
- Mr. Lord: When you have effected all the exchanges you want to effect, what will these men have to do then?
- Mr. Carton: With the working out of the classification, the work of the Public Domain Commission along certain lines is going to get less every year. After the lands are gathered in blocks, they will be under the State Forester and the work of the trespass men and examiners will be over with. If we are able to do certain things without being misjudged, in two or three years we could consolidate all of our lands in blocks. If we could go out and get a statement from individuals of what they wanted for their lands inside of these reserves, and work with them and help them, we could effect a great number of exchanges. If we could get all the lands consolidated into blocks, then the trespass agent could go and the examinations would be over, but the duties of the forestry department would increase. The real object of the consolidation is reforestation. The real object of the abolishment of the land office was to stop the selling of Michigan's chief lands to people who went out and exploited the other fellow. We hold up our hands in horror to the individual that does those things, and still we were doing the same thing ourselves.
- Mr. Lord: Are there any efforts being made by your department now to dispose of those lands?
- Mr. Carton: We don't want to sell them because the lands that Michigan has today are the remnants of 2,400,000 acres of land that people would not pay taxes on. These lands are practically worthless except for reforestation purposes, game preserves, etc. All of these things go hand in hand, it must all be worked out in harmony.
- Mr. Lord: Would it not be a good policy for Michigan to dispose of the lands that are suitable for agriculture?
- Mr. Carton: We are allowing them to be homesteaded. Whenever we find suitable land for agriculture, it is open for settlement. What we have been strenuously avoiding is the putting a fellow on a piece of land that we know he cannot be successful on. We make an investigation of the individual also before we allow them to homestead the lands. There is no use of giving a man a contract if we know he cannot fulfill the same. This whole idea of Michigan selling her lands to get them on the tax rolls has been fought out here. The organization of the Public Domain Commission was for the purpose of preventing that very thing. We could put up these lands in Michigan today, but it would be the most short-sighted policy that Michigan could pursue.
- Mr. Lord: To what extent have you carried reforestation?
- Mr. Carton: I will give you the exact figures. This year we put in about two thousand acres. We intended to put in about four thousand acres, but the war broke out and we turned in and raised potatoes, etc.
- Mr. Lord: What are you going to do with this land that is reforested when you get the forest started?
- Mr. Carton: There is nothing to do but to protect it and let it grow up. Then will come the removing of the volunteer crop, which will have

to be removed to make room for pines or what is coming up. In several of these reserves we have to cut out the oak, etc., to give room to the other things coming up.

Things have changed a great deal; what used to be a liability to the state is now an asset. Timber that a few years ago had no value, today has a stumpage value that makes a nice profit. Some of the timber has a stumpage value and also a value for chemical purposes.

Mr. Lord: What do you do with the crops raised on these agricultural lands?

Mr. Carton: We sold some to the custodians on the reserves at market price. The balance we sold in the market and the money was sent in.

Mr. Lord: Do you sell any timber at all for fuel purposes, etc.?

Mr. Carton: Yes, we sell timber right along. We have reports showing that. I might also say that we are just closing up our last transaction for the sale of sand and gravel.

Mr. Hinkley: Please briefly outline to the commission, the sixty-year plan of reforestation.

Mr. Carton: The sixty-year plan is simply this; it covers the period in which all of the 600,000 acres of land that Michigan has, will be planted. When I say planted, I don't mean that we plant every acre. If we should go on to a tract of land and three-fourths of that land had a voluntary growth that was going to have some value, we would not plant it, we would simply plant in bare places and later on the timber that was growing voluntarily would come to maturity. The sixty-year plan covers the completion of the planting program of the 600,000 acres. We have figured out the rotation of cutting and planting, etc., so as to have a continuous revenue coming into the state. I don't mean it will be sixty years before it commences. Perhaps in ten years we will commence to remove the volunteer crop. Our sixty-year plan shows how much it will cost each year; how much money will actually be spent.

Mr. Hinkley: When did you enter into that sixty-year plan?

Mr. Carton: One or two years ago.

Mr. Hinkley: Then you are practically two years along. At what time do you figure this plan will be self-sustaining?

Mr. Carton: I don't know just the year, but can give you a copy of the sixty-year plan.

Mr. Hinkley: Will it be one hundred years, two hundred years, or what?

Mr. Carton: In thirty or forty years, it will commence to go the other way.

Mr. Hinkley: Do you think that these seedlings planted now will mature in forty years?

Mr. Carton: Some varieties of them. But we must take into consideration the great body of growing timber, the timber which is already there. There is quite a start of timber upon a lot of these reserves. I think during the next year, or two or three years, that we will commence to remove timber in Roscommon county.

Mr. Hinkley: Why do you remove this cover timber if it is valuable for seedlings?

Mr. Carton: It gets such a size and then it stops. The life of the pop-

- lar is very short as compared with others. Really, I believe the proper thing to do is to remove while it has a value.
- Mr. Hinkley: Then, as I understand your program, you expect that the pine will mature in fifty years?
- Mr. Carton: I don't say mature; but there is a time in the life of timber, according to the best authority on forestry, when it can be cut at a benefit and more produced. There is a time in the reforestation business when you can cut it at a benefit and not wait until it matures.
- Mr. Hinkley: Do you wish to state that ninety-five per cent of the seedlings you plant grow up, and develop into trees?
- Mr. Carton: That is asking me to guess.
- Mr. Hinkley: What per cent will come through?
- Mr. Carton: All that should come through. If on an average there are six hundred trees to the acre out of the two thousand, it is all that we want; the others are put there for the purpose of filler.
- Mr. Hinkley: You figure that jack-pine is a good, valuable timber?
- Mr. Carton: We figure it is a valuable timber to do what we want it to do.
- Mr. Hinkley: What are the activities of the State Forester?
- Mr. Carton: He has charge of all matters pertaining to reforestation.
- Mr. Hinkley: What has he done during the last thirty days?
- Mr. Carton: Well, in the last thirty days, I should imagine he was hunting most of the time.
- Mr. Hinkley: Well, the last sixty days?
- Mr. Carton: He has supervision of the nurseries, passes on all exchanges of lands made by examiners, supervises all of the custodians, etc.
- Mr. Hinkley: How many men have you at the Lake Superior reserve?
- Mr. Carton: I think two.
- Mr. Hinkley: How many acres in that reserve? Can two men take care of them?
- Mr. Carton: I think there are about 119,320 acres.
- Mr. Hinkley: How far out is the headquarters?
- Mr. Carton: Twenty-five miles north of Newberry.
- Mr. Hinkley: What appropriation did you get in 1913 for prevention of forest fires?
- Mr. Carton: \$10,000.00. We got \$20,000.00 in 1915 and last year \$40,000.00.
- Mr. Hinkley: Did the Public Domain Commission take any action recently about dividing the duties of the Forest Fire Commissioner?
- Mr. Carton: That is, having the work of the Forest Fire Department by itself, separating the work from the Game Department?
- Mr. Hinkley: No. I mean make two fire divisions, one for the Upper and one for the Lower Peninsula.
- Mr. Carton: We took over the Upper Peninsula Protection Association. They abandoned that organization and we took it over, including Mr. Wyman. He is in charge of all the territory north of the Straits.
- Mr. Hinkley: In creating the two sub-departments; where you formerly had one, you now have two. Will you tell the commission on what grounds the Public Domain took that action?
- Mr. Carton: What do you mean, by what authority?

Mr. Hinkley: No; what reason for the double expense of two departments?

Mr. Carton: Mr. Wyman is simply a warden under the Game Department, the same as any other warden.

Mr. Hinkley: Has he an office in the Upper Peninsula?

Mr. Carton: I don't know.

Mr. Hinkley: The point I want to get at is this: The Public Domain Commission created this other department and we want to know the reason.

Mr. Carton: I don't think it is any extra expense, neither do I think it is creating two departments. Mr. Wyman is appointed by Mr. Baird, the game warden, as special assistant. You have to have somebody up there in the Upper Peninsula to look after everything. I don't think there is any added expense, and there is no reason why the state should not protect the Upper Peninsula the same as the other divisions of the state.

Mr. Hinkley: The point I want to get at is what the commission's reasons were.

Mr. Carton: I don't think that they had any particular reason, except that this organization was going to discontinue and the state took it over.

Mr. Hinkley: Was the fire supervision work of the state unsatisfactory in the Upper Peninsula before this time?

Mr. Carton: No, it couldn't have been for that reason. It was not the state organization that was discontinued. The work of the state organization was so satisfactory that they disorganized the Upper Peninsula Protection Association, and the state took that over.

Mr. Thompson: Mr. Carton, the Public Domain Commission has taken over the question of fire protection for definite areas of Michigan, has it not?

Mr. Carton: The fire protection to start with is under the Game Warden's Department, which is a branch of this department and the territory which they protect is north of the Bay County line.

Mr. Thompson: You have not quite answered my question. Do you take over the fire protection in definite areas of Michigan?

Mr. Carton: No.

Mr. Thompson: Have you not done that in the Upper Peninsula?

Mr. Carton: No, not any more than anywhere else. The fire law covers everything north of the Bay county line. If you had a private organization in Alcona county, and you wanted to disband, and said you were to get out of the territory, why, you would have perfect right to do it. No, we don't take over the fire protection for certain territories as you mention.

Mr. Thompson: Are there any organizations of any breadth covering any of the territories enclosed in the territory north of Bay county?

Mr. Carton: The Hardwood Manufacturing organization.

Mr. Thompson: Is there a fire prevention organization in the Upper Peninsula now?

Mr. Carton: Not that I know of.

Mr. Thompson: Then the state is now carrying all the public activities as to fire prevention in the Upper Peninsula?

Mr. Carton: Yes, sir.

- Mr. Thompson: And it is possible it will do so in the Lower Peninsula?
- Mr. Carton: Yes.
- Mr. Thompson: What proportion of the lands which are so protected belong to the state?
- Mr. Carton: A very small amount. I would say that north of the Bay county line there is probably two-thirds of the area of the state, 24,000,000 acres, and in that area we would not have over 500,000 acres.
- Mr. Thompson: Why should the people in that territory receive such services any more than people down here?
- Mr. Carton: It is a matter of state policy. It is a well known fact to every student of economy that when forests burn up it is a loss to everybody. The wood-working establishments in the lower part of Michigan are as much interested as those north of Bay line.
- Mr. Lord: Your point is that all the people are interested in conservation and protection of the forests, and that all the people would feel the loss, if any occurred?
- Mr. Thompson: As I gather your policy as to Michigan lands, you believe that they should be divided into forestry reserves, which presumably would include lands not suitable for agricultural purposes, and the agricultural lands included in the limits of those territories: second, agricultural lands not in forestry reserves which will become homestead lands; third, miscellaneous lands to be disposed of by sale.
- Mr. Carton: Yes.
- Mr. Thompson: As I gather your activities, they are office management, including sale of lands from this office; trespass activities; exchanges, fire prevention; question of reforestation, which includes planting and sale of forestry products; immigration; St. Clair flats' activities; sale of gravel and other under-ground materials. Does this classification cover all of your activities?
- Mr. Carton: Yes, that covers it very well.
- Mr. Thompson: What do you estimate the cost or value of land that is put into forestry reserves, at the time it is put in?
- Mr. Carton: I think we give that in our report.
- Mr. Thompson: Can you, from your own memory, state it?
- Mr. Carton: \$1.50 an acre.
- Mr. Thompson: What other uses would that land have, other than forestry reserves or uses?
- Mr. Carton: The bulk of them would have no other value, except for reforestation work and, perhaps, the following out of the plan of making game preserves.
- Mr. Thompson: What would you estimate would be the cost of seeding per acre, getting the seedlings, planting, etc.?
- Mr. Carton: As I remember, the cost runs in the neighborhood of from four to five dollars per acre.
- Mr. Thompson: And how long a time would it take the average acre to get to a productive point?
- Mr. Carton: That would depend largely on the class of timber that you planted it to. The class we are planting is white pine, Norway, etc. Some of those questions are more for a forester to answer than a

layman, but I think the plan figures up about forty years' time before they come to a stage where they can be cut.

Mr. Thompson: So that the average period from the time you would undertake the planting to the time it reaches its maturity, would be about forty years?

Mr. Carton: Yes, I think so.

Mr. Thompson: What would you estimate the annual cost for that to be?

Mr. Carton: Now, Mr. Thompson, those are things that have been all worked out by the forester, and are a matter of record by the Public Domain Commission. Those are matters that trained foresters use tables, etc., for, and could work out according to the accepted rules and regulations of foresters in computing those things.

Mr. Thompson: Estimates as to the cost of the care of these reserves, fire protection, loss by reason of land being withdrawn from the tax rolls, probable interest on investment, and the over-head cost during that period.

Mr. Carton: What do you mean by loss of taxes?

Mr. Thompson: If you had sold the land to individuals for clearing, it would have been paying taxes, wouldn't it?

Mr. Carton: You are proceeding on the ground that the land could have been sold. A lot of this land, Mr. Thompson, was splendid good land and some of the land was very poor.

Mr. Thompson: I appreciate the fact that most of the land left was either remnants of poor land, or was distant from the centers of civilization.

Mr. Carton: We have in our vaults detailed reports giving complete information regarding these lands, even to the kind of weeds growing on every one of those forty-acre tracts.

Mr. Thompson: What policy do you adopt as to making those matters public; the results of your examinations?

Mr. Carton: We have no particular policy in making public the reports of examinations, except as they are asked for. We give them out in a general way in advising of the activities of the department.

Mr. Thompson: If an individual came to you and asked for activities or records on a certain parcel of land, is it your policy to give it out or not?

Mr. Carton: I don't believe we have ever denied anybody. They are open records the same as any others.

Mr. Thompson: Do you do any thing on developing of park systems for the state?

Mr. Carton: The last legislature passed an act providing for the purchase of land at Interlochen to be set aside for a state park. The day is coming when the State Highway Department, together with the Public Domain Commission, should co-operate and get together in making these fifty-two reserves useful for the public and make state parks out of them; make them available for the people of the state and school children, forestry classes, etc.; make them useful for the fellow in the city, and if we could work out some plan with the Highway Commission so that these would be connected up with good roads, it would be a fine thing.

Mr. Lord: What supervisory authority do you have over the property on Mackinac Island?

- Mr. Carton: None at all. It is all under the control of the Mackinac Island Park Commission.
- Mr. Lord: Couldn't you handle that business without very much additional cost; or rather, don't you think as a matter of good business on the part of the state, that all real property belonging to the state should be under the control of the Domain Commission?
- Mr. Carton: I am a firm believer of this, that there should be a centralization of all the things pertaining to that particular work. That is one of the objects of the Public Domain Commission.
- Mr. Lord: You think that if we are to maintain a Public Domain Commission, it should have charge of all state lands?
- Mr. Carton: We could handle it, there is no question about that. I think the State Forester could attend to all that.
- Mr. Lord: You say that you sold the potatoes that you raised. I notice that you spent \$1,085.00 for seed and sold only \$795.00 worth; in other words, \$290.00 less than the seed cost.
- Mr. Carton: I don't know whether the potatoes are all sold or not. I imagine that our farming operations have not been a great money-making proposition, but it was a move in the right direction.
- Mr. O'Brien: Does this money from those sales come to you or direct to the State Treasurer?
- Mr. Carton: It all comes to us and we turn everything over to the treasurer.
- Mr. Lord: What is the object of embodying in your report all this detail about the proceedings of the meetings of your board?
- Mr. Carton: That is our official record.
- Mr. Lord: Yes, but of what benefit is it to the public to publish such a big book as that?
- Mr. Carton: My theory of a record is that it should contain everything pertaining to our board meetings.
- Mr. Lord: You have to have the record, but isn't it more properly an office record rather than a public record? I don't think it is necessary at all, except for the convenience of the board members. What disposition do you make of printed proceedings?
- Mr. Carton: One copy is sent to each of the state libraries in such states as have forestry departments. Others sent to different libraries in the United States where they are interested in forestry propositions.

COMMISSIONER OF INSURANCE

- Mr. Lord: Mr. Ellsworth, you are the Commissioner of Insurance?
- Mr. Ellsworth: Yes, sir.
- Mr. Lord: Will you state to the commission the various activities of your department, just in a general way?
- Mr. Ellsworth: What do you mean; what we have jurisdiction over and what our duties are?
- Mr. Lord: Yes.
- Mr. Ellsworth: We have jurisdiction over all fire, life and casualty companies; over all insurance of every kind. The total number of insurance companies reporting to this office at the present time are six hundred and thirty-nine. This department collected in fees and

taxes last year over \$900,000.00. The expense of operating the department was about \$38,000.00. This expense will be increased somewhat this year by reason of moving the office out of the Capitol building. Also, in accordance with the law passed by the last legislature, his department has installed a fire rater, his duty being to investigate and report all complaints that may come in from over the state in reference to fire rates established. At the present time we are employing one man at a salary of \$2,500.00 a year. We are supplying him with clerical help from the insurance office.

The Commissioner of Insurance has complete supervision over all insurance matters and we employ at the present time four examiners, who are in the field constantly examining the home companies of the state. Our Chief Examiner makes an examination of the leading life and fire companies and has two assistants. We keep one examiner constantly at work examining Farmers' Mutual companies. We have operating within the state one hundred and fourteen Farmer's Mutual companies. Business in Michigan includes resident and non-resident companies, known as domestic and foreign. All insurance companies report annually to this office and these reports are examined and compared by the Actuary Department.

The help in this office consists of one first deputy, one second deputy, two stenographers, license clerk, and assistant, chief clerk, five people in the Actuary Department and a janitor.

Mr. Lord: What is the object of having a second deputy?

Mr. Ellsworth: The law provides that the Actuary has to be a second Deputy.

We issue annually between thirty and thirty-five thousand licenses to insurance agents and insurance representatives throughout the state. Every agent who solicits fire insurance or life insurance must be licensed by this department; all companies operating within the state must first be licensed by this department before doing business.

Mr. Lord: What is the required qualification of an agent in order to secure a license, any standard at all?

Mr. Ellsworth: He must be reputable and reliable in order to secure a license. A license is issued usually upon recommendation of the company. We would not appoint an agent for the Home Insurance Company unless we sent to the Home Insurance Company to get the approval. The agent makes application, and we treat it as a mutual affair.

Mr. Lord: What fee do you charge for the agent's license? What is the charge per license and what was the total amount you collected last year for such licenses?

Mr. Ellsworth: Solicitors' licenses are \$10.00 each, and we issued about 860.

Under our statute we are supposed, if other states are letting our companies go free, to let their companies go free in Michigan, but if they charge, we charge the same amount they do. Our record shows a total income for the year ending June 30th, 1917, as follows:

3% tax on gross premiums of fire and marine companies...	\$335,494.46
2% tax on gross premiums of life insurance companies...	392,973.26
2% tax on gross premiums of casualty companies.....	110,229.06
Total income from retaliatory and statutory fees.....	63,215.10

(The last item includes all income to this office except the tax as prescribed by statute).

Mr. Lord: Following this up, I would like to ask if the specific tax paid by these various classes of insurance companies is all the tax they pay; they are not subject to any other tax, are they?

Mr. Ellsworth: Not unless they own real estate.

The Commissioner of Insurance is also Ex-Official Fire Marshal. We have eight persons employed in that department. The work of this department is largely the inspection of theatres, school houses and churches, and all public buildings; to see that all buildings comply with the requirements of the state statutes.

All fires occurring throughout the state are reported by the fire chiefs to this department, and these fire chiefs receive a fee of 25 cents for every fire reported. This report specifies the cause of the fire, if known, extent of damage, value of the property, the amount of insurance carried; also fatalities, if any should occur. A record of these reports is kept in this office. A fee of \$10.00 is charged for the inspection of every theatre; none is made for other buildings inspected.

The number of theatres inspected each year is about six hundred. These are inspected twice a year and they pay a \$10.00 fee for each inspection.

Mr. Lord: Are those fees included in the \$63,000.00?

Mr. Ellsworth: No, they are included in the Fire Marshal's statement.

Mr. Lord: Isn't it a fact, Mr. Ellsworth, that the Labor Department performs practically the same duties in regard to inspections?

Mr. Ellsworth: Only on factories.

Mr. Lord: Don't they inspect hotels?

Mr. Ellsworth: Yes, I think they do.

Mr. Lord: A large part of work by way of fire inspection is duplicated by the Labor Commissioner, I believe.

Mr. Ellsworth: That really ought to belong to one department. I think that would be the proper thing to do, either the Fire Marshal's Department or the Labor Department.

Mr. Lord: Which department do you think ought to do this? What work would your Fire Marshal have to do if the inspections were all placed in the Labor Department?

Mr. Ellsworth: We would still have jurisdiction over all fires occurring. This year, our inspectors have been very busy in the conservation work; in inspecting theatres, mills and food supply, and storage places throughout the state.

Mr. Lord: Isn't it a fact that, oftentimes, you will find an inspector from the Labor Department and an inspector from the Fire Marshal's Department in the same town; one inspecting theatres and the other factories and hotels, and isn't it a fact that the same man could do all the work?

Mr. Ellsworth: That might happen, and I should think some of that work could be done by the same man.

Mr. Thompson: Logically, under whose department should those come, the Labor Department or yours?

Mr. Ellsworth: Don't know as I can answer. Where there are other

factors involved as with factories and hotels, possibly the inspection of those buildings ought to be with the Labor Department.

Mr. Thompson: Following the question of Mr. Lord; where you are sending an inspector to a factory in reference to the fire hazard, and they would also have a man there inspecting other conditions, couldn't you get a man competent to handle both inspections?

Mr. Ellsworth: I should think so. The only thing it is in two departments.

Mr. Lord: It would not only effect a higher degree of efficiency in the conduct of the work, but also a larger degree of economy in that it would save costs to the taxpayers.

Mr. Lord: Would you be willing to have that work transferred to the Labor Department or do you prefer to have their work transferred here; I mean the inspections?

Mr. Ellsworth: I don't know as it is up to me to say. We would be very glad to get rid of this factor of it, if you see fit to turn it over to the Labor Department. In fact, the whole fire marshal's office is an additional work, it possibly should be a department by itself and this work of fighting the fire loss in this state could be made possibly more effective. Some effort should be made all the time to reduce the fire loss.

Mr. Lord: Where do you think that should go?

Mr. Ellsworth: Don't know as I am prepared to say. We have worked at it as hard as we could this year to keep down our fire losses.

Mr. Lord: What was the income of the Fire Marshal's Department last year?

Mr. Ellsworth: \$15,000.00 was appropriated for the Fire Marshal's Department and, in addition, they are allowed to use any fees they collect, and turn back the excess into the State Treasury.

Mr. Lord: Don't you think it would be an improvement to have that department's expenses paid entirely by appropriation and all fees turned into the general fund?

Mr. Ellsworth: We always have something to turn back and will have something this year. We never are able to tell just what the income of that office is going to be.

Fees Collected.

Total fees for January, February, March, April, May and June	\$7,100.00
Cash on hand January 1st, 1917.....	7,219.67
	\$14,319.67
Disbursements	9,839.58
Balance	\$4,480.09

We have made eighty-seven investigations of incendiary fires; have had nearly one hundred complaints; thirty-five arrests and ten convictions up to date.

Mr. Lord: Do you know of any way by which you could increase the efficiency of your department, or is it satisfactory?

Mr. Ellsworth: Well, sir, I don't know of any way we can increase the efficiency of this department. It is efficient now. The only improve-

ment that I can recommend is a saving on the printing of our report. The reports in this office have been costing somewhere from five to six thousand dollars a year, and this department has been publishing one thousand of the Fire and Marine reports and one thousand of the Life. We expect to cut that expense in half. We expect next year to get out one volume instead of two. All we can do this year is to approve the bills contracted for by the former commissioner.

Mr. Ellsworth: I did have in mind recommending a report that would give detailed information as to Michigan companies and a synopsis of the operations of foreign companies, but this might be unsatisfactory. We have concluded, therefore, that we can give the detailed information by putting it in table form, which will give one volume instead of two and reduce the expense at least one-half.

Mr. Lord: Of what benefit is so much detail in your reports?

Mr. Baxter: We have lots of calls for it; from insurance agencies particularly.

Mr. Ellsworth: They feel that their payments are liberal and that they ought to be furnished this information. The department has always endeavored to give them as complete information as possible.

Mr. Lord: I think it is important that you have this information on file in your office, where it can be given if they desire it, but, because of the late printing of these reports, and by the time your report is out of press and ready for distribution, the figures it contains are of little value.

Mr. Ellsworth: I agree with you that the delay is very often great and there should be some provision made to get our reports out sooner.

Mr. Lord: Where is there any more sense in publishing the detailed statements of insurance companies, than there would be in the Secretary of State publishing detailed statements of the manufacturing companies that report to that office?

Mr. Ellsworth: The insurance companies are dealing with a fund that belongs to the masses. The fire insurance companies are liable to the people for these losses and when you place your insurance with an insurance company, you might want to know something as to the nature of investments; what their assets were invested in.

Mr. Lord: In what other way could you increase the efficient conduct of this department, other than by cutting down the size of this report?

Mr. Ellsworth: I had already figured on reducing the annual report by putting it up in table form. This year we reduced the number and can still reduce it two hundred copies. This department issues a bulletin every two weeks and we mail nine hundred copies. We have also this year mailed notices at several times to the Fire Chiefs throughout the state calling attention to the fire conditions. We have also mailed notices to the mayors of cities and presidents of villages with reference to fire and water conditions, and have had many compliments from the government with reference to the fire activities in Michigan.

This department also has supervision of the Accident Fund, which insures on workmen's compensation. This department collected last year in premiums about \$116,000; and we have at the present time a catastrophe reserve of approximately \$50,000.00.

- Mr. Lord: Will you state to us your method of procedure in licensing companies who want to transact business in Michigan?
- Mr. Baxter: We first require from the company a certified copy of the report of examination made by its own department (the insurance department of its own state), and, if this report is satisfactory, blanks are forwarded and the company submits a copy of its last annual statement and other papers required by the laws of this state. After everything is in order, and the company complies in every way with the laws of this state, it is admitted and a certificate of authority is issued.
- Mr. Lord: Don't you cause an examination of the company to be made before permitting it to do business in Michigan?
- Mr. Baxter: We accept the report of the insurance department of that state, except under certain conditions; Wisconsin requires our companies to be examined and we have, in sometimes past, made the same requirement.
- Mr. Lord: Do you accept, outside of that, the report of the Commissioner of Insurance from every state where a certain company wants to do business in Michigan?
- Mr. Baxter: We do.
- Mr. Lord: Do you think it is safe?
- Mr. Baxter: Yes; we know in a way the standard of the departments and are governed a good deal by that in the admission of the company. So far as I know, in all the time I have been here, we have always relied on the home department.
- Mr. Lord: You do occasionally make examination?
- Mr. Baxter: The only case I know of where this department has done anything like that was in the case of a casualty company where its showing was not good, so this department caused an examination to be made.
- Mr. Lord: So there have been times when the examination made by the state office from which the company comes was not a good examination?
- Mr. Baxter: Only one instance that I know of.
- Mr. Lord: What do you do in the matter of domestic insurance companies? Do you license those?
- Mr. Baxter: Yes; upon examination. We examine them.
- Mr. Lord: The point I want to make is that domestic companies which want to transact business in Michigan, but do not examine the foreign companies. What do you do in case of companies that apply to do business in Michigan from foreign nations?
- Mr. Baxter: They make a certain state in the United States their state of entry, and make statutory deposit in that state. In the matter of deposit, capital is usually of the same amount as capital required of domestic companies.
- Mr. Lord: Where a deposit is made with some state, do you require a similar deposit in Michigan?
- Mr. Baxter: We do not unless as a retaliatory means. If Indiana would require it of us, we would do the same by them.
- Mr. Lord: What security would that be to citizens of Michigan?
- Mr. Baxter: It is for all policyholders alike.
- Mr. Ellsworth: We expect the local commissioner to look after the com-

panies of his own state, and with the co-operation between the commissioners of the different states, we are getting excellent results. Should we hear of any company that is lacking in its payments, or where we have any information that anything is wrong, we immediately insist on examination of that company.

- Mr. Lord: Mr. Ellsworth, I wish you would state to the Budget Commission, the benefits derived by the people of the state by the operation of this department.
- Mr. Ellsworth: This department stands between the people of the state and the companies. It is our duty to see that the people are protected and to see that the companies comply with the statutes of this state.
- Mr. O'Brien: Are "reciprocal underwriters" permitted to do business in Michigan?
- Mr. Ellsworth: Yes, sir.
- Mr. O'Brien: Under what regulations?
- Mr. Ellsworth: The regulations are somewhat unsatisfactory.
- Mr. O'Brien: Will you please define to the commission the assets of a reciprocal underwriter?
- Mr. Ellsworth: It is a specie of the mutual company, not necessarily a domestic company. The state permits them to operate under certain conditions. They have to have subscriptions amounting to \$25,000. These companies must have at least one hundred separate risks aggregating not less than one and one-half million dollars, as represented by executed contracts or bonafide applications. We have the privilege of examining any company doing business in this state, but the National Association of Insurance Commissioners have a committee and we operate through that committee. We examine our own resident companies once every year.
- Mr. O'Brien: In your report, your receipts show that the fire insurance companies paid into your department something over \$335,000.00, which is practically one-third of the receipts of the annual business. Your disbursements are \$37,000.00; assuming the same proportion, you pay out for that department approximately \$12,000.00, leaving a net profit, you might call it, from the fire insurance companies, of \$323,000.00. Now, in your opinion, which I would like to have you state as briefly as possible, don't you think that \$323,000.00, which, in a way, enters into the payment of the rate by your taxpayers of Michigan, could be used in the enforcement of building laws, whereby the fire loss could be materially reduced, giving direct benefit to the insuring public of Michigan?
- Mr. Ellsworth: I am not in a position at this time to make any recommendations as to the course to be pursued to secure a reduction in the fire loss, but I do think the subject should be investigated thoroughly and some recommendation should be made along that line, as our fire losses will be in the vicinity of eight million dollars.
- Mr. Lord: Will you tell us briefly about your Industrial Accident Fund?
- Mr. Ellsworth: This department has jurisdiction over a fund known as the Accident Fund. It permits citizens throughout the state to subscribe to this fund to protect themselves or their companies on workmen's compensation. By this law, all state institutions are

compelled to become subscribers to this fund, and we have a total membership of about nine hundred and fifty at the present time. This fund, collected last year in premiums, is approximately \$116,000.00, and has at the present time a catastrophe reserve of about \$50,000.00. The fund is popular, is growing and the membership is increasing daily. This is virtually a mutual insurance company, and the fund pays all operating expenses; no portion of the expense of the operation of this business is paid by the state. The rates of insurance are below the stock company rates, between 15 and 30 per cent, which is a saving to the manufacturers and persons desiring protection. All premiums collected are turned over by the manager of the fund to the State Treasurer, the Insurance Commissioner giving a bond of \$50,000.00 for this purpose. The manager of the fund gives the commissioner a bond back in the sum of \$10,000.00 which is a private matter. This institution has on hand in municipal bonds about \$130,000.00 worth, and has recently purchased \$15,000.00 worth of Liberty Loan Bonds.

Mr. Lord: Who makes the investments?

Mr. Ellsworth: The treasurer and myself.

Mr. Lord: So that it is really all under your direct supervision?

Mr. Ellsworth: There is one thing right there that is confusing. We are given the name of "Accident Fund"; the claims against the Accident Fund are heard by the Industrial Accident Board. This board treats the Accident Fund the same as any insurance company, and this insurance department examines the Accident Fund the same as we do any insurance company.

Mr. Lord: So that the Industrial Accident Board really makes the award and you pay the money?

COMMISSIONER OF LABOR

Mr. Kirby, Chief Assistant, and Fred W. Castator, Deputy Commissioner, present.

Mr. Thompson: Mr. Kirby, will you tell us of the various activities of your department?

Mr. Kirby: The inspection of factory work shops, public buildings, stores, etc., and to gather statistics relating to those institutions. The inspection of factories is to see as to the safety for the people employed therein, protecting the life and welfare of the workers, to ascertain and remedy any defects in the sanitary conditions of the factories and stores; to enforce the provisions, in a general way, of the labor law; and also to inspect coal mines, and boats of inland waters of the state. We inspect the condition of the boats and issue licenses.

Mr. Thompson: Name the various classes of buildings you inspect.

Mr. Kirby: Public buildings, such as school houses, stores, etc.

Mr. Thompson: Take up the character of your inspections, what you have to see, what has to be done as to each class of buildings.

Mr. Kirby: Stores, public buildings, bank buildings, school houses, etc.; they must be inspected as to fire safety, see that they are safe to work in and stay in, and that they are provided with proper exits and fire escapes.

- Mr. Thompson: To what extent do you examine as to fire protection?
- Mr. Kirby: While the law is not specific in that matter, it only requires that they have proper fire escapes, in most cases the fire inspector sees that a fire drill is used in schools.
- Mr. Thompson: What is the character of your inspection of factories?
- Mr. Kirby: To see that all machinery is properly guarded and that all places that might be dangerous to the worker are properly guarded.
- Mr. Thompson: Do you make fire inspection there as well?
- Mr. Kirby: No, that is under the Fire Marshal's Department.
- Mr. Thompson: You pay no attention to fire inspection?
- Mr. Kirby: Oh, yes; we pay some attention to that, but it is not required by law.
- Mr. Thompson: What other classes do you inspect as to these matters?
- Mr. Kirby: Well, that covers about all the buildings in the state; we inspect all with the exception of private homes.
- Mr. Thompson: Do you have anything to do with the housing laws?
- Mr. Kirby: I think the Health Department has something to do with that.
- Mr. Thompson: The matter of egress is regarded as important?
- Mr. Kirby: Yes, sir.
- Mr. Thompson: How are these inspections carried on?
- Mr. Kirby: By factory inspectors commissioned by the Commissioner of Labor.
- Mr. Thompson: How many have you?
- Mr. Kirby: We have eighteen.
- Mr. Thompson: How do you divide up as to territory?
- Mr. Kirby: There is no basis of division really. We place about twelve or fourteen hundred factories under each man.
- Mr. Thompson: So you divide by factories?
- Mr. Kirby: Yes, sir.
- Mr. Thompson: How do you find out the number of factories?
- Mr. Kirby: By inspection.
- Mr. Thompson: Is there any requirement that the owner of a factory must report to you?
- Mr. Kirby: No, sir. We have to look them up.
- Mr. Thompson: What do you do as to hours of labor?
- Mr. Kirby: We enforce the fifty-four hour law for women and for boys under eighteen years of age.
- Mr. Thompson: How do you do that?
- Mr. Kirby: By prosecution and by issuing orders.
- Mr. Thompson: What character of inspectors do you use for that purpose?
- Mr. Kirby: Factory inspectors.
- Mr. Thompson: Do you use women inspectors?
- Mr. Kirby: We have some women inspectors.
- Mr. Thompson: How many?
- Mr. Kirby: We have three.
- Mr. Thompson: You have a total of eighteen inspectors, three of which are women?
- Mr. Kirby: No; eighteen men and three women inspectors.
- Mr. Thompson: What reports do you receive from these inspectors?
- Mr. Kirby: Their daily report of inspection.

- Mr. Thompson: What control do you have over conditions of labor except as to fire escapes, fire protection, sanitary protection and safety as to machinery?
- Mr. Kirby: That is about as far as our jurisdiction extends. We have nothing to do with fixing wages or anything like that.
- Mr. Thompson: How about the minimum wage?
- Mr. Kirby: We have nothing to do with that.
- Mr. Thompson: How is that disposed of?
- Mr. Kirby: There was a minimum wage commission appointed in 1913 and they made a report to the 1915 legislature, but I don't believe any action was taken.
- Mr. Thompson: What other things ought to be done by your department as to labor?
- Mr. Kirby: Well, there are many things. We believe in a minimum wage law, and also in regulating the hours that men should be employed as well as women. Those are the most important.
- Mr. Thompson: What do you do as to mines?
- Mr. Kirby: We have jurisdiction over coal mines only, not copper mines. They are taken care of by local inspectors.
- Mr. Thompson: What is your inspection as to coal mines?
- Mr. Kirby: All phases of coal mining, below ground and above, as well. The inspectors must see that the rooms are properly ventilated and that the run-ways are in proper and safe condition.
- Mr. Thompson: What do you do as to boats?
- Mr. Kirby: The inspectors inspect boats as to safety, and see that they have the proper number of life preservers.
- Mr. Thompson: Is yours the only inspection in the state?
- Mr. Kirby: There is a national inspection, but we have just the inland waters of the state.
- Mr. Thompson: How many boats do you have to inspect?
- Mr. Kirby: We have about two hundred in Michigan.
- Mr. Thompson: How many inspectors?
- Mr. Kirby: One. We have also connected with this department ten free employment bureaus that are located in the state. It is their duty to find employment for men out of employment and find workers for manufacturers who seek men.
- Mr. Thompson: You become a clearing house for labor?
- Mr. Kirby: Absolutely.
- Mr. Thompson: In what towns do you have employment agencies?
- Mr. Kirby: Bay City, Battle Creek, Detroit, Jackson, Flint, Kalamazoo, Saginaw, Grand Rapids, Muskegon and Lansing.
- Mr. Thompson: None in the Upper Peninsula?
- Mr. Kirby: No, sir.
- Mr. Thompson: Why not?
- Mr. Kirby: Well, when the legislature gave us power to establish these agencies or bureaus, they limited us as to appropriation, and we never have had money enough to have one up there. It is my belief that we should have.
- Mr. Thompson: What benefit is that to the public?
- Mr. Kirby: Well, it is a great benefit. For instance, during the months of July and August, this year, we were able to send to the farmers

from our free employment bureaus between four and five thousand workers.

Mr. Thompson: To what extent does your employment bureau help the farmers?

Mr. Kirby: That is pretty hard to say. We have always been able to take care of them when they made request. We have been able to send out very good and efficient help from these bureaus.

Mr. Thompson: How many men do you find employment for, or act as clearing house for, during the year?

Mr. Kirby: In 1916, a total of 104,048 men and women.

Mr. Thompson: What is the character of the statistics you gather?

Mr. Kirby: We gather statistics from every manufacturing establishment of the state that is inspected. They are gathered and published in the aggregate and averages. For instance, all the superintendents and foremen, office help, etc., the skilled workers, both men and women, and others besides skilled workers, those between sixteen and eighteen years of age, all those between fourteen and fifteen years of age, and all the female workers in factories and work shops. All this is gathered, tabulated and put together showing the aggregate and average.

Mr. Thompson: The only class of labor you endeavor to cover is connected with factories?

Mr. Kirby: Yes, and stores, restaurants, hotels, etc.

Mr. Thompson: Your inspectors collect these details?

Mr. Kirby: Yes sir.

Mr. Thompson: Could they not be as well collected by correspondence?

Mr. Kirby: No sir, they could not.

Mr. Thompson: Why not?

Mr. Kirby: They pay no attention to you.

Mr. Thompson: Could you not enforce a penalty?

Mr. Kirby: If we had the power.

Mr. Thompson: Would that be cheaper?

Mr. Kirby: I think not. They have to visit the factories as to safety.

Mr. Thompson: Of what value to the people are those statistics?

Mr. Kirby: It shows the people the average daily wages paid in every city, and from the number of requests we have for our report, it would seem that people are interested.

Mr. Thompson: What number of reports do you publish in a year and circulate?

Mr. Kirby: Sometimes five thousand. The law limits us to that many. Last year it was only thirty-one hundred.

Mr. Thompson: What class of people are the bulk of such statistics valuable to?

Mr. Kirby: Laboring people.

Mr. Thompson: How many look over them?

Mr. Kirby: Could not tell you. Different unions call for them to be given to their members. I couldn't tell you how many look at them; couldn't give you an estimate.

Mr. Thompson: In your judgment, could your report be curtailed in any way, with fairness to the people of the state and still give them the information?

Mr. Kirby: We have cut it down as much as we possibly could.

- Mr. Thompson: Would it be fair to reduce the statistics in your report?
- Mr. Kirby: It would be fair if we could do it by law. The only publication we give is required by law.
- Mr. Thompson: Assuming that protection could be given as to people in buildings, as to fire risk, inspection as to schools, sanitary conditions, and safety of people employed, what reasons are there for the labor department?
- Mr. Kirby: There has to be some department to enforce the labor laws and to see that the laboring man is furnished a safe place to work. Without the assistance of the labor department, you can readily see where the manufacturer would become negligent in guarding machinery; they also would not pay much attention to the hours of labor for women and children.
- Mr. Thompson: Have you anything else you want to put on record as to your department?
- Mr. Kirby: No, that's about as concise and clear a statement as could be made, I believe.
- Mr. Thompson: How many prosecutions a year do you make?
- Mr. Kirby: A good many. We average all the way from one hundred to two hundred prosecutions.
- Mr. Thompson: You feel that the labor laws are fairly well obeyed?
- Mr. Kirby: Yes sir, they are. The larger industries of the state are seeking, and have sought for years, to comply with all the provisions of the labor laws. The ones we have the most trouble with are smaller ones where they employ few people. The larger industries of the state seek to obey the labor laws.
- Mr. Thompson: Does the Workmen's Compensation Law affect this department?
- Mr. Kirby: Yes, it has. The Workmen's Compensation Law has tended to make the factories observe and keep their plants in a safer condition than ever before.
- Mr. Thompson: Can you conceive of any plan by which inspections made by your department, the health department, dairy and food department, and fire marshal's department, could be either consolidated or correlated, to accomplish the same results?
- Mr. Kirby: We overlap on fire protection, and as to certain industries with the dairy and food department. For instance, like the butter and cream business. Of course, the dairy and food department only inspects sanitary conditions in the creamery, while we look after the machinery and safety.
- Mr. Thompson: Because of the fact that many of the plants are isolated and the time consumed going to and from them, isn't it possible that by a better co-operation of inspections, a saving could be made?
- Mr. Kirby: There might, in some smaller industries.
- Mr. Thompson: Could the man who is taking care of a country district, for example, for any one of these departments take care of all of these activities?
- Mr. Kirby: It would be possible, but it would be some work for him. And, besides, a man who is competent and capable to look after sanitary conditions of a creamery might not make a good factory inspector. A man competent for factory inspector has to be a man who has a knowledge of machinery.

Mr. Thompson: Couldn't your men be readily trained in those things?

Mr. Kirby: I don't think they could.

Mr. Thompson: Could the Fire Marshal cover the inspection of fire protection?

Mr. Kirby: Yes, that could be easily done.

Mr. Thompson: Is that more logically a part of their work or your work?

Mr. Kirby: Their work.

Mr. Thompson: How about health conditions?

Mr. Kirby: The health laws of Michigan are not very strict.

Mr. Thompson: Could the laws be so changed so as to cover these by one inspection?

Mr. Kirby: So far as health is concerned.

Mr. Thompson: I understand that in a hotel, for instance, an inspection by your department is made as to safety of employes; by the health department an inspection as to sanitary conditions; an inspection by the dairy and food department as to cleanliness, etc.; inspection made by fire marshal as to safety of guests, etc.; can you conceive of any plan to co-ordinate those?

Mr. Kirby: Well, I don't know.

Mr. Thompson: Do you think it would be a good plan to put them under one department?

Mr. Kirby: I don't imagine for a moment that the Fire Marshal could take care of health conditions.

Mr. Thompson: If the Commissioner of Labor, Secretary of Board of Health, Dairy and Food Commissioner, Commissioner of Insurance, all work together, do you think they could devise a plan to save effort?

Mr. Kirby: I think if the public buildings—everything but factories—were taken from under our control as to fire protection, it would be quite a saving.

Mr. Thompson: What do you do about occupational diseases?

Mr. Kirby: There should be a medical inspection as in New York, Massachusetts, Illinois, California, etc.

Mr. Thompson: How do the Michigan labor laws compare with the laws of other states?

Mr. Kirby: Most of the laws of other states are modeled principally after the Michigan laws; they have been enlarged in most cases.

Mr. Thompson: In what respects is Michigan behind the other states?

Mr. Kirby: In the matter of occupational disease.

Mr. Thompson: Can you conceive of any way to reduce the expense of your department and still keep up its activities and efficiency?

Mr. Kirby: We ought to have more money to establish more free employment bureaus.

Mr. Thompson: How about the inspection of state institutions?

Mr. Kirby: We inspect the machinery in the state institutions.

Mr. Tompkins: How long have you been doing that?

Mr. Kirby: Ever since I have been here.

Mr. Tompkins: Do you examine the machinery of private contractors in prisons?

Mr. Kirby: Yes, but I don't know as there is any now.

Mr. Thompson: Yes, I think there is at Ionia.

- Mr. Thompson: What moneys do you collect?
- Mr. Kirby: We collect fees from boat inspections, and from private employment agencies.
- Mr. Thompson: What are the fees you collect?
- Mr. Kirby: \$25.00 outside of the city of Detroit and \$100.00 in the city. These are the only two sources.
- Mr. Thompson: How many private employment agencies?
- Mr. Kirby: Thirty-one.
- Mr. Thompson: What is the basis of licenses; what examination do you make?
- Mr. Kirby: They have to give a bond of \$1,000.00, sureties to be approved by the Prosecutor or one of the Circuit Court Judges of the county.
- Mr. Thompson: What is the condition of that bond; that is, why do they give the bond?
- Mr. Kirby: They give the bond as surety for non-violation of the state law.
- Mr. Thompson: How are your expenses paid, by appropriation or from the general fund?
- Mr. Kirby: The Commissioner's and Deputy Commissioner's salaries come out of the general fund, and the traveling expenses out of the appropriation. Boat inspectors' and mine inspectors' salaries and expenses are paid out of the general fund of the state.
- Mr. Thompson: What was your last appropriation?
- Mr. Kirby: \$65,000.00.
- Mr. Thompson: How much did you spend in addition to the \$65,000.00?
- Mr. Kirby: I'll look it up. We spent, in addition to this amount, the salary of the Commissioner and Deputy, boat inspectors' and mine inspectors' salaries and expenses, and the expense of printing and binding and stationery.
- Mr. Thompson: Who audits your claims?
- Mr. Kirby: The Board of Auditors audits our claims for printing and binding and stationery; also our mine and boat inspectors' expense account. The Auditor General audits our payroll and our expense accounts.

Receipts from private employment agencies last year, \$3,448.22.
Total expense account, \$62,828.27.

COMMISSIONER OF BANKING

- Mr. Lord: Mr. Manning, you are the Deputy Commissioner of Banking?
- Mr. Manning: Yes sir.
- Mr. Lord: Will you state to the Budget Commission what the activities of the banking department are, in a general way?
- Mr. Manning: We, of course, administer the provisions of the banking law, and the trust company law, and at the present time the steamship law. The bulk of our work comes under the banking law. In a brief way, we have to do with the organization and supervision of banks. Now, in the organization of banks, the procedure at the

present time in organization of the bank is that we require an application to be filed, signed by five or more of the incorporators.

We also require them to furnish us with a separate list, if possible, of the persons whom they think will own the majority of the stock. That application gives the financial worth of the incorporators and their banking connection, if any. We endeavor, through commercial agencies and other sources, to verify these figures, and, if there happens to be another bank in that locality, we take testimony and ascertain as to the necessity of another bank in that locality. If we deem everything satisfactory, we approve the application and send them articles of incorporation. We send three copies of articles of incorporation and all three come back to this department, where they are examined and approved.

We are required, before a bank is authorized to do business, to make an examination, which we do, and have in every instance during the past eight years. That preliminary examination, which we make, we charge for at the rate of \$10.00 a day and expenses. If the report of the examiner is satisfactory and they have complied with all provisions of the banking law, they are given a charter. They then can commence business and from that time on the bank is subject to two examinations a year.

We have practically the same system with reference to the organization of trust companies; we follow practically the same routine. By the way, there are not very many trust companies in the state at the present time; I think there are ten altogether. We had, at the close of business in November, five hundred state banks, one industrial bank, ten trust companies.

Mr. Lord: What is this industrial bank?

Mr. Manning: The Morris plan bank. It is under a separate law and they are subject to practically the same supervision as the state banks. The Morris plan is for the purpose of giving the small borrower an opportunity to borrow money and get away from the loan sharks.

Mr. Lord: About what percentage of banks that make application for charters do you grant?

Mr. Manning: I should think about two-thirds, perhaps 60 per cent.

Mr. Lord: So that you turn down quite a good many.

Mr. Thompson: What are the grounds on which you turn down a bank?

Mr. Manning: The character of the man, and possibly if we thought there were already enough banks in the community. So far as the law is concerned, we would not have any right to refuse the articles of incorporation, but we have done so, and in only one case have they insisted on going ahead. In that case he was not a good loan man and was a trouble-maker, as we knew through his former connection with a state bank.

Mr. Lord: How many examinations of banks did you make last year?

Mr. Manning: Nearly one thousand.

Mr. Lord: Did any of these banks fail last year that were examined?

Mr. Manning: No sir; we have never had a failure since the failure of the bank at Clarkston.

Mr. Lord: Have you found very many of the banks with capital impaired?

Mr. Manning: Not recently.

Mr. Lord: What steps do you take when you find a condition of that kind?

Mr. Manning: If impairment is not made good voluntarily, we take steps to levy an assessment on the stockholders.

Mr. Lord: The percentage of failure of banks in Michigan has been very small for several years, hasn't it?

Mr. Manning: Very small.

Mr. Lord: Do you think it is the result of the close supervision made by the Banking Department?

Mr. Manning: History of receiverships will show you that they have become less, whether it is due to the department or to general prosperity of the country, I can't say. This we know, we make a good many recommendations that the public know nothing about. We correct a lot of very dangerous conditions about which nothing is ever said.

Mr. Lord: What is the nature of these conditions?

Mr. Manning: One of the conditions that we have found in the past is the over-loaning of bank funds by officers to those concerns in which they are interested. The over-extension of credit to those who have management of the bank.

Mr. Lord: In the matter of savings banks, do you ever take any steps to appraise the physical properties covered by mortgages?

Mr. Manning: We rely on appraisals made by directors or by appraisal committees. Up to seven years ago, very little attention was paid to that factor of it, but we have kept constantly at it and there are very few loans in Michigan today not accompanied by an appraisal. Ordinarily, it is accompanied by a signed appraisal, or it is indicated on the mortgage register. Of course, since the segregation law was enforced, we have been more particular to definitely ascertain what mortgages were good.

I think it was under Mr. Doyle's administration that, in the smaller banks, cities smaller than Lansing, we traced every mortgage. It cost us a lot of money, but it was for the purpose of tracing out cases such as I cited a few minutes ago.

Mr. Lord: Do you make special effort to ascertain the actual value of quick assets in your examinations? Do you ever take any pains to see whether or not collateral security to a note is ample?

Mr. Manning: Our men are instructed, where banks have any collateral, to ascertain whether or not there is a statement on file with that borrowing company, but if stock is there only, they are supposed to get some idea as to the value of that stock. If the loan is of any considerable size, we verify it in some other way. We try and find out someone who knows the general reputation of the company. Part of our credit system consists of going once a year to the Secretary of State's office and copying all the statements of every corporation in Michigan. That is bound in book form. It also contains the names of the principal stockholders and directors. If a man goes to Bax Axe, Grand Haven, etc., he takes with him these books. We keep these reports here and, if there is any question raised, we compare with these reports. They are not always authentic but

they are better than none at all and a great deal better now than a few years ago; we have more detail and they are more reliable.

Mr. Lord: Isn't it true, Mr. Manning, that the close supervision by your department has tended to make the banks improve their methods of handling loans?

Mr. Manning: I think it is safe to say that you will find ten statements now where you would not have found one five years ago. Both Mr. Merrick and Mr. Doyle have insisted on a lot of changes being made in bookkeeping systems in banks. For instance, they have insisted that they keep a permanent list by name and the amount of cash items. It is a good thing to have on record so that the examiner can tell the condition of the cash from time to time. Another matter, is the item of a liability ledger. It has been a hard matter in country banks to bring them around to see it in the right light, but the majority of them, after they have had it, would not be without it.

Mr. Lord: What are the fees now that you charge the banks?

Mr. Manning: One one-hundredth of one per cent.

Mr. Lord: What were the receipts of the department last year?

Mr. Manning: The receipts from examinations of all kinds, annual, preliminary and special, were \$57,483.92; collections from other sources \$517.23. Then we take credit for the amount of money that we turn over to the Secretary of State on account of franchise fees; that amounted to \$2,544.50, making a total of \$60,545.65.

Mr. Lord: What was the cost of the department?

Mr. Manning: Our total expenses up to December 1st were \$72,956.61.

Mr. Lord: All this money you collect from banks goes into the general fund?

Mr. Manning: Yes sir. Of course, there is one thing to be considered in this department, that is the constantly growing number of banks. The resources are increased and we are increasing our work; our examinations are being improved from year to year.

Mr. Thompson: Will the Federal Reserve system add to those examinations?

Mr. Manning: It will add in this way—that eventually we will have to pay more attention to statements. Largely, the increase in the work will be copying in the office, making duplicate copies of that report, sending one to Chicago and one to Washington.

Mr. Thompson: Will the banks all become members?

Mr. Manning: I think they will; it may take five years but I think they will eventually.

Mr. Lord: Tell us about your examining force. What are the necessary qualifications for examiner in this department?

Mr. Manning: We generally pick out men who have had banking experience.

Mr. Lord: You don't pay any attention to politics?

Mr. Manning: We don't know anything about that. We haven't for eight or twelve years. Doyle used to say "religion or politics doesn't count anything with me." In fact, the more they try to get a position by political pull, the less chance they have.

Mr. Lord: Do you find it very difficult to get desirable men at the present time?

Mr. Manning: We do at the present time. Salaries have been increased in banks or men with experience can get higher salaries in other lines.

Mr. Lord: Have you lost any competent men because of low salaries paid by the state?

Mr. Manning: A great many.

Mr. Lord: Do you think the department and the state has suffered on that account?

Mr. Manning: There is no question about it. During the last eight years we have lost at least twenty men, whom the state has educated. At one time we could not pay them over \$1,700.00 and another time over \$2,200.00 a year.

Mr. Lord: What is the maximum salary now?

Mr. Manning: \$2,500.00 a year.

Mr. Lord: How long does an examiner have to be in your service before he reaches the maximum?

Mr. Manning: He starts in at \$1,700 and is raised \$200.00 a year.

Mr. Lord: Is it not a fact that men going into your department expect to leave as soon as they get educated?

Mr. Manning: Yes, that is usually so. We don't hire our men in the first instance as examiners. We hire some at \$900.00, \$1,200.00 or \$1,500.00 a year. After a man works three months, or one month, he is given an opportunity to pass an examination and, if he passes, he is made examiner. It is an examination that would apply solely and only to a department of this kind; largely on law and general banking methods; more particularly along our particular system here. We know that a man, after passing that examination, will not get himself or us in wrong in the ordinary bank. I think Mr. Doyle instituted this system.

Mr. Lord: Do you know of any way by which the efficiency of your department could be increased, or is there any equipment you need that would increase the efficiency of your department?

Mr. Manning: Yes, we ought to have more clerical help. We are limited by law to five clerks.

Mr. Lord: Have you always been limited?

Mr. Manning: For fifteen or twenty years.

Mr. Lord: Notwithstanding the increase in your business, you have not been granted an increase in the number of your clerks.

Mr. Manning: That doesn't include our chief clerk or assistant examiner. This man divides his duties between running the liability ledger and assisting in some of the examination work. Sooner or later we will have to have more clerks.

Mr. Lord: Have you ever called the attention of the legislature to that?

Mr. Manning: Mr. Doyle did at one time, but couldn't put it across.

Mr. Thompson: How many clerks should you have?

Mr. Manning: If we brought up our credit department to where it should be, we ought to have at least five more clerks.

Mr. Thompson: Why should there be a limitation at all?

Mr. Manning: There should not be, and I don't know why it was put into the law.

Mr. Lord: It is not limited in other departments.

- Mr. Manning: We have no limit on examiners or assistant examiners, but we couldn't appoint young ladies as assistant examiners. Another thing is the present salary law. We don't get competent help for the salaries we have to pay. Our salaries must not exceed \$1,100.00. According to the salaries they are paying outside, this is not enough.
- Mr. Lord: What do you think of an amendment to the graded salary law, having a maximum, but no minimum?
- Mr. Manning: I would be in favor of increasing the average to \$1,200.00 and having no minimum.
- Mr. Lord: Your department ranks high with similar departments in other states, does it not?
- Mr. Manning: Our system of examination has been accepted by the Federal Reserve Board at Minneapolis, Chicago and Washington; the national bank examiners have told us that we were one of the three states to have our system accepted without any changes. Of course, conditions are changing, and we are forced to change. I could take you, if I had the time, through an examination that we considered a good examination ten years ago and compare it with an examination of today.
- Mr. Thompson: What effect would it have if the state building and loan activities were brought under this department?
- Mr. Manning: We are not asking for it. Why, I don't know as I would want to answer that question.
- Mr. Thompson: It would add to your expense?
- Mr. Manning: Certainly it would add to our expense, and we would have to educate our men to do that kind of work. It is a different kind of work entirely.
- Mr. Thompson: This is the logical place for it, is it not?
- Mr. Manning: A great many think so; I think so.
- Mr. Lord: What do you do in cases where you find a loan has been made to somebody by the cashier or president of the bank, and it has not been authorized by the Board of Directors?
- Mr. Manning: We require them to authorize it at their next meeting. We take the position that their records should show the specific name and the amount of every loan.

FOOD AND DRUG COMMISSIONER

- Mr. Lord: Mr. Woodworth, you are the Dairy and Food Commissioner?
- Mr. Woodworth: Yes, sir.
- Mr. Lord: Will you state to the Budget Commission, in as brief a manner as possible, the various activities of this department?
- Mr. Woodworth: This department was created in 1893 to regulate the food sold and manufactured in Michigan, and to foster and encourage the dairy industry; later we were given certain duties in connection with the drugs, very similar to those connected with the foods. Still later, there was added to our work the "weights and measures," previously held by the State Treasurer, and each succeeding legislature has added detailed duties in connection with those four lines.

Our food work is taken care of by about six inspectors, who try, as near as they can, to cover each food establishment in his territory, and when they see any article of food that looks to them as though it should be investigated, they at once buy a sample and pay for it, send it in to the laboratory, and that becomes what we call an "official sample." This sample goes to the laboratory, where it is examined, then they make a report to the front office and the office reports to inspector and, in case it seems wise to make prosecution, we lay the case before the Prosecuting Attorney in the said territory. The same procedure is followed as to drug samples. We have two inspectors who try, and have succeeded, in making every drug store in Michigan once a year. They take up samples of standard drugs, have them analyzed, and make prosecutions.

In our dairy work, we have a head of the dairy department and two inspectors all the time, and occasionally, in some extraordinary circumstances, we put on a special inspector at a smaller wage. These inspectors try to visit every creamery and milk establishment in the state once a year, and in addition to that we try to assist dairy men, and more especially creameries, to solve any problems that are vexing to their business. For instance, if some creamery manager advises us that his butter is off-grade, and that he is getting a low price for it, we try to have our inspector go to his creamery and find out where the trouble is, whether it is poor raw material, defective machinery, or whatever it is. They usually succeed in helping to locate the cause. We have a constant call for men to go to dairy meetings and speak, and these same inspectors do that work. On the "weights and measures," we have one of our regular inspectors assigned to that work, and he is the only one that attends to that, has sort of a general supervision over that, and more than that, we borrow the Federal track scale car and he usually goes with that car. The Federal Government sends a man also who examines track scales.

Mr. Lord: Where you are advised of a defective scale, what steps do you take?

Mr. Woodworth: All of our regular Food Inspectors have a small scale testing outfit, and when they find a scale incorrect they attach a tag to the scale saying it is condemned. A great many times they can fix it themselves, as nine times out of ten, the scale has just a trivial defect. It is a peculiar condition, but we find about 8 per cent of the scales that we test are robbing the merchant, and if you stop to think of the conditions under which they work, you will see how this happens. In order to make weight it must move. A lack of oil, dust, or anything like that, makes it move a little slower, of course.

Mr. O'Brien: Do you prosecute the cases where you find scales incorrect?

Mr. Woodworth: We never prosecute unless we think it will do some good.

Mr. O'Brien: Have you ever had any prosecutions?

Mr. Woodworth: I think there are twelve or fifteen cases on the docket in Wayne County court today.

There are two or three scale cases on right now.

Mr. O'Brien: What period of time does that cover?

Mr. Woodworth: I think we have had, perhaps, six or eight cases a month that really have to go to the courts. Nine times out of ten, the procedure of law rather prevents them going to the court. If the scale is not right, they send word to the man they bought it from, or we fix it ourselves.

Mr. O'Brien: Is there really no penalty for the man himself? Is it up to the maker?

Mr. Woodworth: Well, yes, there is a penalty if they don't fix it. We put a tag on it.

Mr. O'Brien: What is to prevent him from removing the tag?

Mr. Woodworth: The law makes it an offense. The "weights and measures" law has been rather shaped to effect a cure without courts, on account of expense, I suppose.

Mr. Lord: You had nearly three hundred cases commenced the year this report was gotten out?

Mr. Woodworth: The cases commenced are a very poor indication of the amount of work done, because our best inspectors are the fellows who get along with very few cases. They say to the merchant, "This is wrong," and the merchant says, "Just tell me what I can do to remedy it and I will do it." The inspector will perhaps show him the law in connection with it, and the merchant says, "That scale goes to the dump."

Mr. O'Brien: You intend to make annual inspections?

Mr. Woodworth: We try to, but our funds are not sufficient to allow us to do so. Our inspection of counter scales is better than of heavy scales, because every inspector now carries an equipment for testing the counter scales.

Mr. O'Brien: The coal weighing scales are not inspected?

Mr. Woodworth: Only on request, or in case the county has a proper equipment. A number of the counties have their own equipment for testing the heavy scales.

Mr. O'Brien: How expensive is that equipment?

Mr. Woodworth: \$60.00.

Mr. O'Brien: That is usually kept in the county?

Mr. Woodworth: In most counties they have a weights and measures man and he tests these heavy scales with the equipment belonging to the county, on request. When the law was passed, it was supposed that every county should do that, but some of them did not do it. In many counties it is the County Clerk and in many counties a separate official.

Mr. Lord: You don't make much of an attempt to inspect wagon scales, do you?

Mr. Woodworth: Yes; we do make an attempt, but we simply haven't the money, and it is a very feeble attempt.

Mr. Lord: The inspections made don't look very good. Seventy-eight of the wagon scales were found correct and one hundred and fourteen incorrect.

Mr. Woodworth: They are very often incorrect. I think it is only fair to say that my estimate is that 80 per cent of the products of Michigan go over heavy scales.

Mr. O'Brien: Would you just outline your procedure in inspecting these heavy scales?

Mr. Woodworth: We attach a tag to them and it is up to the man who owns them to get them fixed before the tag can be taken off.

Mr. O'Brien: Suppose he doesn't make any effort to get them fixed?

Mr. Woodworth: That tag is a warning to buyers or sellers that the scales are wrong.

Mr. Lord: How many cities in the state have inspectors of their own who inspect or test all scales, including wagon scales?

Mr. Woodworth: About six or eight.

Mr. Lord: Are those men appointed by common councils?

Mr. Woodworth: Usually. In Detroit the inspector is a member of the police force; in Grand Rapids, the same condition exists; but in practically every other city, he is a special official.

Mr. Lord: What recommendations have you to make in regard to this inspection, to make it more effective?

Mr. Woodworth: I would advise that the law be changed so that every county be required to have a set of heavy weights; either that, or supply this department with a motor truck sufficiently heavy to carry these weights. Either one scheme or the other. It is a question under the law whether we could compel those counties who have not these outfits to get them. In addition to this, we test the scales of each state institution once a year, and more than once if they so request.

Mr. Thompson: One motor truck would not be enough, would it?

Mr. Woodworth: Yes, it would cover quite a territory.

Mr. Thompson: How is this handled in other states?

Mr. Woodworth: I understand that most of the states have motor trucks.

Mr. Lord: It seems to me that having correct weights and measures is a very important thing.

Mr. Woodworth: I look on it as one of the most important parts of our work. I think accurate and reliable weights are as necessary to a community as an accurate system of coins.

Mr. Lord: What is your authority over measures?

Mr. Woodworth: Same as it is over weights. This department has quite a complete outfit to handle weights and measures; weights to make test with; outfit to test gasoline tanks; outfit to test the number of feet of thread on a spool, etc.

Mr. Lord: How much additional appropriation would you require to make the weights and measures division of your department more effective?

Mr. Woodworth: Well, I would think that \$2,500.00 would put us in position to get to each platform scale, once a year. That is, in addition to what we are spending now.

Mr. Lord: If you need \$10,000.00 for the work, you should have it. It is a very important thing.

Mr. Woodworth: Perhaps I am low, but our present outfit is costing too much, considering the results we are getting. We are really not completing the work, are not getting as far as we should.

Mr. Lord: I am very glad you brought that out; it is a very important thing.

- Mr. Woodworth: At the last session of the legislature I had a bill introduced placing a charge on every inspection of heavy weight scales, and we failed in getting it through. I had hoped that that bill would cover this feature. Would say, however, that one reason we failed to get the bill through was that we had a charge for testing railroad scales and, of course, the railroads were against it.
- Mr. Lord: What was the basis of their objections?
- Mr. Woodworth: They said they had an inspection car themselves and also that the companies that put the scales in inspected them; my contention was that it would remove trouble and give general satisfaction.
- Mr. Lord: If the state inspected them, it would not be necessary for the companies to incur that cost.
- Mr. Woodworth: Your incident in Grand Haven, Mr. O'Brien, illustrates our weakness. We try and test every heavy scale where there is a request for the inspection, and then in time not occupied in that way, we come just as near as we can to testing all the others, but the result is that our work is not completed and a town such as Grand Haven might be missed several years in succession. We should have a system whereby we would be sure to visit every town every year. Of course, in drawing the law, the legislature presumed that every county would get a set of their own, and we have hesitated to tell people generally that we were ready to make inspections, simply because the work was piling up and we couldn't deliver the goods, that's all.
- Mr. O'Brien: Just this one question before we leave weights and measures. Where would you assume that the ordinary citizen of Grand Haven would be advised of the fact that he could make a complaint to this department of an assumed shortage in his coal?
- Mr. Woodworth: Nothing except the law and our bulletins. I will say that I wrote to the Chairman of your Board of Supervisors (to all chairmen of Supervisors) asking them to put in a set of heavy weights.
- Mr. O'Brien: Did you have any reply?
- Mr. Woodworth: I don't think we did. It might be that your county has a set of scales and are not using them.
- Mr. O'Brien: If they had a set of scales, you would know it, wouldn't you?
- Mr. Woodworth: Yes. (Looked up the matter.) The city of Holland has secured a set, but not the city of Grand Haven. If a county or city would get this \$60.00 outfit, any county official could settle almost all difficulties.
- Mr. Lord: Mr. Woodworth, are any of the other activities of your department made ineffective or neglected because of lack of sufficient money?
- Mr. Woodworth: We would put in a better inspection of food work if we had more money.
- Mr. Lord: How much would you need to make it as effective as you would like?
- Mr. Woodworth: I really believe we ought to have one food inspector for each congressional district. As it is now, our districts are larger than that by considerable; we never have more than eight in

the state, and the city of Detroit ought to have about four. —The City Board of Health in Detroit has one man assigned to that work.

Mr. Lord: Would four be enough to cover the city of Detroit, taking in all the lunch counters, etc.?

Mr. Woodworth: We have four there now and we wish we could do the work better.

Mr. Lord: How much would that additional cost be?

Mr. Woodworth: I should say that it would cost about \$20,000.00 more. That would bring our total cost about equal with the Labor Department's. We run on an appropriation of \$35,000.00 a year and some fees?

Mr. Lord: How many additional inspectors would \$20,000.00 provide?

Mr. Woodworth: It would mean about eight more.

Mr. Lord: \$20,000.00 would cover all that cost, salaries, traveling expenses, equipment, etc.?

Mr. Woodworth: Yes, and every one of those eight would have a set of counter weights and test weights and measures. We find that the same inspector can be taught to inspect various things.

Mr. Lord: How much in fees did you collect last year?

Mr. Woodworth: \$13,288.00. Total amount available from appropriation and fees, \$48,288.00.

Mr. Lord: What charge is made for the various licenses you collect fees for?

Mr. Woodworth: Well, creameries, etc., \$5.00 a piece; ice cream manufacturers, \$5.00 a piece; milk dealers, \$1.00; commission merchants, \$25.00; manufacturers of carbonated beverages, soda water, grape juice, other soft drinks, and syrup licenses, \$10.00.

Mr. Lord: Was the total amount of \$48,288.00 used up?

Mr. Woodworth: Not quite all. This is the reason. I took office the first of January, and I was, I rather think, too cautious. We couldn't afford to go over our appropriation and I think we had about \$1,000.00 unexpended balance. Simply because I had to have a little leeway for unusual expenses.

Mr. Lord: Do you draw anything from the general fund?

Mr. Woodworth: No. These fees represent some special service. The ice cream manufacturers' license was put on at the time when the ice cream law was passed and the idea of the legislature was that the fees would just about make up for the extra cost to the state, to give them the extra service contemplated in the law. The milk dealers' license was simply to bring the milk dealer on record.

Mr. Thompson: On what grounds should the state make charges for any special services?

Mr. Woodworth: My idea is that the only ground is that we give them some service. I think that where an activity is necessary for the public welfare, the proper policy would be to have the public bear its proper pro rata of the expense.

Mr. Thompson: Ought the activity to bear a pro rata of public expenses?

Mr. Woodworth: Yes, insofar as the activity is benefited. Every activity which is inspected and bears approval of the state, should be simply self-supporting to the state.

- Mr. Thompson: What, in your judgment, should be done with those fees?
- Mr. Woodworth: I think that they should all be turned in to the general fund of the state and we should depend on appropriations for expenses, etc.
- Mr. Thompson: You, for instance, carry on a series of dairy inspections for the purpose of giving the people of Michigan good service as to dairy products; one reason why we don't get better products is ignorance on the part of people in charge of that work. It is perhaps true that a greater publicity and a campaign of education along that line would increase the efficiency of producers of dairy products; ought those license fees, for instance, to cover that phase of it?
- Mr. Woodworth: In that particular instance, I doubt whether the state would have the authority. As a general rule, I think that, where the state gives some special service, the special service should pay.
- Mr. Lord: Isn't it a fact that, if you settle the expense on the activity, ultimately the consumer would pay it?
- Mr. Woodworth: In some cases.
- Mr. Lord: In most cases, wouldn't it be true? Wouldn't the expense of dairy inspections be put on to the cost of dairy products?
- Mr. Woodworth: In nine cases out of ten the inspections lessen the cost rather than increase it. One reason is that we usually increase the efficiency of that plant. For instance, we inspect a creamery and perhaps before the inspection that creamery is making butter that grades as second; our inspector goes there and sizes up the plant, finds the trouble and has, or the owner has, it remedied. As a result, the next shipment of butter is of such an improved quality that the whole thing is adjusted and a better price allowed for the product.
- Mr. Thompson: Following out Mr. Lord's thoughts; suppose the inspection of some certain line of activity is added to the cost of that activity, what is the argument for inspection then? Take milk dealers, for instance?
- Mr. Woodworth: The higher quality of the food supply and the public health.
- Mr. Lord: What other activity in your department could be made more efficient by an increase in appropriation?
- Mr. Woodworth: Well, like every department and everyone that is engaged in some special work, we all see many things we would like to improve. I have already indicated what we could do in the weights and measures proposition. As I said, I think we ought to have smaller areas for food inspectors. I think the drug inspection is now carried on in a satisfactory manner.
- Mr. Woodworth: Several laws, and those laws have been the occasion for most of the fees, have been passed giving us special work in connection with different branches. For instance, carbonated beverages now require state inspection and a certain fee has been put on that. The carbonated beverage licenses amounted to \$1,280.00 and one man does it in a sort of a way.
- Mr. Lord: In a sort of a way; what do you mean by that?

Mr. Woodworth: Two men would do it much more effectively.—We would like about twice as much money. They operate in about five months' time and that means the inspections have to be within that time. In the city of Detroit we have found bottling establishments in back of stables, and have found inferior products being put in bottles of good dealers. We go to that sort of a fellow and usually a warning will stop him. In fact, we go to all the plants and have them try to bring their production up to the state standard.

Mr. Thompson: What is your thought as to carrying on your dairy activities?

Mr. Woodworth: It is a question in my mind whether the extension work in dairy industries should be in this department, because, in Michigan, we have the Agricultural College doing similar work. The Federal Government bears one-half of the expense of this extension work and, while I am not prepared to say absolutely, it is a question if it would not be better to have the work done either one place or the other and preferably at the college.

Mr. Thompson: Assuming that you would have this work done at the Agricultural College, what saving would that be to this department?

Mr. Woodworth: Why, I would guess that our dairy work costs us \$10,000.00 a year. That would be a total saving to this department, but it would cost the state of Michigan \$5,000.00.

Mr. Thompson: So it would be a saving of \$10,000.00 to this department and a net saving of \$5,000.00 to the state?

Mr. Thompson: Have you any other suggestions as to dairy work that you do?

Mr. Woodworth: I think it is a very important work and should be extended. It is work that pays the state good dividends on the investment, but I think it should be done at the college.

Mr. Lord: Dr. Olin, Secretary of the State Board of Health, took up with us the matter of centralizing the chemistry work of the state, along the lines of co-operation between his department and yours. What do you think of that?

Mr. Woodworth: As it is now, we are running two laboratories, one here and one in the Board of Health. In all laboratories, the ordinary equipment is standard and it would seem to me as though it would be possible, in some way, to combine the laboratories and have one chemist in charge.

Mr. Lord: What other state activities would use it?

Mr. Woodworth: The Securities Commission would use it very often; and practically every department has some problem. For instance, we loan a man to the Game and Fish Department to investigate the pollution of streams.

Mr. Thompson: Assuming that that was done, would the result be in a saving of money simply, or efficiency of service also?

Mr. Woodworth: It would tend to secure a better and more efficient man for a position of higher class, of course.

Mr. Thompson: It would give the people much better service then. How much of a saving would be effected to the state?

Mr. Woodworth: I don't know just the cost of Dr. Olin's work. I imagine it would cut off one-third of the total present expense of

- the chemistry and bacteriological work in both departments.
- Mr. Thompson: About how much is that expense in this department?
- Mr. Woodworth: I should say that it was about one-quarter of the expense of the department, probably \$10,000.00.
- Mr. Thompson: The next line of thought is inspections and duplications of them. What inspections of public activities should be added to those now carried on by the state?
- Mr. Woodworth: You mean what added work?
- Mr. Thompson: Yes, sir.
- Mr. Woodworth: I think there are quite a number of food establishments that are not covered by our laws. We work under specific statutes. Personally, I think it would be much better if our food law was generally remodeled and patterned after the federal law. In that case it would simplify our work a great deal.
- Mr. Lord: Your supervisory powers to be more general instead of specific?
- Mr. Woodworth: Yes. We have never felt it so much as we do now. I think that the present inspection of commercial feeding stuff, which is done at the college, should be done here. Our equipment is suitable to that work. It is practically police work, and that part could be better handled by us and the educational done by the college.
- Mr. Thompson: How much added expense would that be to your department?
- Mr. Woodworth: That is taken care of by fees. I think also that there should be inspections as to the health of employes in every food manufacturing and serving establishment.
- Mr. Lord: Should this be done by the health department?
- Mr. Woodworth: Well, I think it should be done, but in any way you please.
- Mr. Thompson: Is there anything else, Mr. Woodworth?
- Mr. Woodworth: Under the new law passed by the last legislature, we have a general provision, copy of a section of the federal law, that gives us sort of general power. Don't know of anything else.
- Mr. Thompson: How would you suggest that inspections now made be better correlated so as to give better efficiency, better service to the public and save money to the taxpayers?
- Mr. Woodworth: Just how to work that out, I don't know, but it is true that where three departments inspect in the same place, we doing the inspection of food conditions; the labor department, the fire escapes; and the health department some things, I have wondered if it would not be possible to combine that work.
- Mr. Lord: The fire marshal's department makes some inspections.
- Mr. Woodworth: Yes, I guess it does. Seems as though one man could make one place and do it all.
- Mr. Lord: For that kind of work, could you establish a central bureau of inspections?
- Mr. Woodworth: I don't know whether that would work out all right, or not.
- Mr. Thompson: Suppose, for example, your department, the health department, labor department and fire inspector's department were

to co-operate and correlate your work, ought you not to be able to work it out and effect a saving?

Mr. Woodworth: Seems to me that it would be possible to effect quite a saving there, and certainly would bring about a greater efficiency.

Mr. Thompson: Taking on of that class of inspections, as a whole, what proportion of costs do you think that method would save?

Mr. Woodworth: Speaking as to my own department, I would say it could not help but save 50 per cent for that class of work.

Mr. O'Brien: Would it not be 75 per cent?

Mr. Woodworth: It might be, but I would say that it would be at least 50 per cent.

Mr. Thompson: Tell us, Mr. Woodworth, your idea of the effect of prohibition.

Mr. Woodworth: As you know, the last legislature has put the enforcement of the liquor law in our department. I have spent most of my time since then studying the question. Recently I was in West Virginia and looked over the work there. It is a considerable problem as to what that enforcement is going to mean. We are wondering just how much expense it is going to involve and how much help.

Mr. Thompson: You have no idea at the present time?

Mr. Woodworth: I imagine that the way it will work out is that we will say to every Prosecuting Attorney and Sheriff, "What can we do to help you?" and it will be our experience in the first two or three months that we will have to base our work on.

Mr. Thompson: It probably will add to your expense.

Mr. Woodworth: The legislature left the expense proposition open so that our expenses are authorized by the Governor and paid on warrant of the Auditor General out of the general fund.

Mr. Lord: In regard to the enforcement of this prohibition law, how many additional men will you need in your department to enforce this law?

Mr. Woodworth: In West Virginia they have one for every county, or did have one for every county, but now they are finding, after the first educational period has passed, that they have comparatively little to do. I think the proper thing for us to do would be to select about one man for each congressional district, men who have had proper experience—ex-sheriffs, for instance. There will be a whole lot of people dissatisfied with the Prosecuting Attorneys' and Sheriffs' work and we will have to have someone who will investigate those complaints and then, too, we will have to look after the shipment of liquor over the border. Under the federal law, it is an offense to ship into a dry state and the prosecutions will be, of course, in the federal courts. I don't think the employes taken on for this work will exceed fifteen men.

Mr. Lord: What will you pay those men; have you given that any thought?

Mr. Woodworth: The law says that we can pay them up to \$1,500.00 a year and expenses.

Mr. Lord: As a rule, what are the expenses of that class of a man?

Mr. Woodworth: The expenses of our inspectors will run along about \$60.00 or \$70.00 a month each.

- Mr. Thompson: Those men would each probably cost about \$2,500.00 a year.
- Mr. Woodworth: Under this new law there is no limit placed on our expenditures. For the next year I feel that it is up to me to be very careful, because my expenses under an unlimited law will be measured by the expenses under the limited law of last year.
- Mr. Lord: Then it would necessitate at least fifteen additional men and their cost would not be less than \$40,000.00 a year, anyway.
- Mr. Woodworth: No. It might be \$60,000.00, you can't tell. I don't feel competent to make an estimate.
- Mr. Lord: What other expenses would be incurred in connection with that law?
- Mr. Woodworth: Just now, I don't see any. There is going to be a whole lot of liquor confiscated in Michigan and there should be some plan to save that liquor to distill the alcohol out of it.
- Mr. Lord: Your department last year cost \$48,288.00. The additional cost of the enforcement of the prohibition law will be about \$60,000.00. It will be safe to say, then, that next year it would not cost more than \$110,000.00?
- Mr. Woodworth: I don't think it would.
- Mr. Lord: And if there is some changes made in the work, possibly \$100,000.00 will cover the cost?
- We have talked about your outside work. How about your office work? What, if anything, can be done to increase the efficiency of your department?
- Mr. Woodworth: That is a line of which I am not nearly so competent to judge as you are.
- Mr. Lord: From your observation, what do you think?
- Mr. Woodworth: We have a very small force, only four. They are quite efficient. The chief clerk has been here since the department was formed and the bookkeeper was appointed under Governor Bliss. The State Accountant tells me that he has never found the slightest thing wrong with the books at any time. We have a janitor and we have one woman who works part of her time in the laboratory and part of her time here.
- Mr. Lord: Do you send out a large quantity of mail?
- Mr. Woodworth: Quite a good deal.
- Mr. Lord: What is the character of it?
- Mr. Woodworth: We usually get out perhaps eight or ten issues of bulletins.
- Mr. Lord: How many in an issue?
- Mr. Woodworth: About 4,000.
- Mr. Lord: Are they mailed to the same people all the time?
- Mr. Woodworth: A good deal of the time. We have an addressograph.
- Mr. Lord: Does it belong to this department?
- Mr. Woodworth: Yes. Then there is never a day but that there are about twenty-five or fifty copies of our laws go out and we write and refer them to some phases of the law.
- Mr. Lord: What would you think of a central mailing division where these bulletins could all be sent, addressed and sent out; all state departments to use this mailing division?
- Mr. Woodworth: Why, I don't see any reason why we could not do our

work that way. I would simply say that I want bulletin number so and so sent to list number so and so.

Mr. Lord: Have you examined your annual report very closely with a view of cutting it down?

Mr. Woodworth: None whatever. However, I imagine it could be done.

Mr. Lord: In looking over your report, it occurred to me that it could be cut down at least one-half; and then people would be more liable to read it; there would be less detail and it would be a considerable saving.

Mr. Woodworth: I will take my report and analyze it and then I will tell you what I think.

Mr. Lord: I wish you would do that. Our printing is costing \$150,000.00 a year and it ought to be cut in two.

Mr. Woodworth: One reason for our printing is the educational work in the dairy business. Our report would be comparatively simple if that work was transferred to the college.

Mr. Lord: Take the statistical part of the report, for instance; people are not particularly interested as to the amount a certain company pays this department, but they are interested in the aggregate amount collected for similar services; so that if statistics of that character were published in the aggregate instead of in detail, people would read it, whereas they don't now, and your report would be much more valuable.

Mr. Woodworth: I don't think I had ever studied the Dairy and Food Department's report, or the report of any other department, before I came in here.

Mr. Thompson: What benefit would it be to Michigan if all the materials used by the state were purchased collectively and according to specifications?

Mr. Woodworth: The state would get all the benefit that is secured from purchasing in large quantities and the added security of knowing exactly what is delivered. It would serve to bring a benefit in one way or the other, or probably both; either a lower price or better quality.

Mr. Thompson: To what extent do you think it would save money by purchasing collectively?

Mr. Woodworth: It is hard to estimate that. I have talked to wholesale grocers who have stated that, on purchases as large as the state makes, they could save them 10 per cent, at least.

Mr. Thompson: Have you any suggestions as to the plan that should be pursued to organize centralized state purchasing system?

Mr. Woodworth: My own opinion is that all purchases should be passed over to a state head and every institution should present what they think their requirements will be. If it appeared to the purchasing head that it is not correct, it should be called to their attention with a view of cutting it down.

GAME, FISH AND FOREST FIRE COMMISSIONER

Mr. Lord: You are the Game, Fish and Forest Fire Commissioner, Mr. Baird?

Mr. Baird: Yes Sir.

Mr. Lord: Will you make a statement to the Budget Commission relative to the various activities of your department?

Mr. Baird: Well, in what way?

Mr. Lord: Tell us the nature of your work, what have you accomplished, what the benefits are to the people of the state, what you are doing now, what your plans are for the future, and, if you have in mind any changes to be made to the law relating to the game and fish business in Michigan, please state them.

Mr. Baird: I would rather have the chief clerk state that, he is more familiar than I am with that line.

Mr. Lord: Mr. Hoyt, what position do you hold?

Mr. Hoyt: I am the chief clerk of the department.

Mr. Lord: Will you state to the Budget Commission the various activities of the game warden's department, what it has accomplished, what the benefits are to the people of Michigan, and what it proposes to accomplish in the future, etc.

Mr. Hoyt: It's main object is the conservation of wild life. It also has the duty of the prevention of forest fires in the state.

During the last five or six years the activities of the department have been along the lines of enforcing the laws relative to preserving the game in the fields and the fish in the waters of the state, and we have, for that purpose, Deputy Game and Fish Wardens, whose duties are to enforce the laws. As a result of their activities, there has been from one thousand to one thousand eight hundred convictions in the state for violation of the game and fish laws every year; during the past year, I think it will go much more than that.

Prior to 1911, this department could only employ ten deputy wardens for the enforcement of the laws, and the funds at the disposal of the department were very limited, being those which accrued from the sale of deer hunting licenses, and when funds were exhausted, the activities of the department ceased, as we had no appropriation from the state. When the department was first organized, it had a standing appropriation of \$2,000.00 a year, and during Mr. Chapman's first term as State Game Warden, he decided not to use any of this \$2,000.00, and it was turned back, or in other words, it was not used. All the funds he used were the funds coming from the sale of licenses. In 1911, I think it was, a new hunting license law was passed which provided that any person hunting, outside of the county in which he lived, should take out a hunting license. This increased the proceeds of the department to such an extent that the law was changed so that more deputies could be employed. This fund was somewhat limited, but it did give us a chance to perform more work, employ more men, and look after the commercial fishing interest of the state and inland fish as well as the game of the state. In 1913, this law was changed so that it included all persons when hunting for protected game, both residents and non-residents. This change in the law gave the department more funds, more deputies were employed and the deputies employed were kept in service during the

entire year, and much better results were obtained under the operation of this law after it was amended. In 1917, or rather before the Legislature of 1917 convened, Mr. Oates was state Game Warden and, owing to the fact that the work of the department had increased, he conceived the idea of making the department self-sustaining. He prepared a bill and presented it to the Legislative committee, placing the department upon a self-sustaining basis. After the law was enacted and became operative, all expenses of this department, including office expenses, printing expenses, field work, clerical expense, etc., have been paid from this fund into which all of the different proceeds have been credited, and the state has not been called upon since that time to pay any of the expenses of the department.

Mr. Lord: You say it is self-sustaining. Do you draw any money from the general fund for any purposes at all, salaries, etc?

Mr. Hoyt: None whatever.

Mr. Baird: There are really two departments here. One is the Fire Department, the expense for the operation of which is drawn from the general fund of the state. The entire salary of the game department is now paid from fees, but the fire department salaries are paid by appropriation from the legislature.

Mr. Hoyt: Prior to 1911, there was an appropriation of \$10,000.00 a year for the purpose of extinguishing and preventing forest fires. We found that the fund was not sufficient to take proper care of the work of prevention of forest fires. In 1915 that law was amended and an appropriation of \$20,000.00 was made for this purpose. Every Supervisor in a fire zone is a fire warden who performs certain services, employs certain men, at times when it is necessary to extinguish fires. That expense was increasing, so that the fund was increased in 1917 to \$40,000.00. That amount is divided equally between the northern and southern peninsula fire zones.

Mr. Lord: Where do you draw the line on the two fire zones?

Mr. Hoyt: The Straits of Mackinac. The upper peninsula constitutes one zone and the lower peninsula the other.

Mr. Lord: Under how many specific statutory measures are you operating? There are a number of laws governing your department; tell us about them, what they are?

Mr. Hoyt: We have one act which defines the powers and duties of the department, in connection with the Public Domain Commission; We have a general game law which provides for the protection of game in the state; we have a general fish law which provides for the protection of fish in the inland waters of the state; we have a general commercial fishing act which provides for the protection of the fish in the Great Lakes; then we have numerous local acts which apply to certain sections or localities in the state relative to fish. We have a special act which provides for the taking of fish from the inland waters of the state on petition; we have an act which provides that people can spear steel-head trout at a certain time of the year, under regulations of the department, and for which they pay a license; We have an act which provides for the taking of white fish and cisco in inland waters during a certain time of the year; also the law provides that certain permits may be issued for other pur-

poses by the department, for which a fee is paid; we have a new law, passed by the last legislature, known as the "breeder's act," which provides that any person who desires to enter into the raising of game, may, under certain regulations, sell game that is raised in that manner; persons operating under that law must be licensed by this department and the activities are under the supervision of this department; the last legislature also passed an act which was termed the "discretionary power act," placing power in the hands of the Commissioner, on approval of the Public Domain Commission, to close certain seasons which have been made open by legislation, for the purpose of conserving any specie of game which is liable to become extinct by climatic conditions. Mr. Baird, since he has had charge of the office, has acted on this provision of law and closed the season on deer in Mason, Newaygo, Lake and Emmet counties. He has also closed the season on beaver in the lower peninsula and the hunting of partridge in Crawford and Iron counties.

Mr. Lord: Is closing the season in the various counties done on your own initiative or on petition?

Mr. Hoyt: On petition of the Board of Supervisors.

Another duty imposed by law upon this commission is the taking of spawn during the spawning season, of certain kinds of fish, and turning the same over to the State Fish Commission and the United States Bureau of Fisheries. The commissioner is required to make such rules and regulations as he shall deem advisable. We have in past years taken white fish in the Detroit River, saved the same until they have been ready to spawn and then have turned them over to the Michigan Fish Commission. They have been stripped and eggs placed in hatcheries of the state or Federal Government, and then planted back in the waters of Michigan.

This year, the commission has operated under a new theory.

During the spawning season for trout and white fish, owing to the fact that there was a scarcity of food, we decided to let all commercial fishermen, who were fishing after the fish became ready to spawn, take these fish and turn them over to the state, and they were paid certain price per pound for the fish. The fish were stripped and eggs turned over to the hatcheries. There has never been a time, in the history of Michigan, when hatcheries have been as well supplied as they are this year. We expect to have good results from these hatcheries. Mr. Baird found on investigation, before starting into this good work, that the big producers, as they call themselves, Booth and Robbins, were handling very nearly all the fish caught in Michigan waters and that at least forty per cent of which never found a market in Michigan until after they were shipped into the state from Chicago or from some other place outside of the state.

Mr. Lord: What brought about such a condition as that?

Mr. Hoyt: We couldn't tell. We know it was not a legitimate proposition. These fish were turned over to these big corporations because it was the easiest way for them to dispose of them in most cases. They have agents who took the fish when they came to shore and paid for them immediately, although the price was small, but the fishermen were glad to do it.

Mr. Lord: Do these corporations, or big producers, have any exclusive fishing rights?

Mr. Hoyt: No.

Mr. Lord: The fact remains, however, that all these big corporations got all the fish and that very little reached our markets.

Mr. Hoyt: When Mr. Baird took office, we found that markets were getting 26 cents per pound for trout and from 26 to 30 cents for white fish. Mr. Baird succeeded in getting over 200,000 pounds of fish which he put in the markets of the state and which was sold at 12 and 13 cents per pound. That price provided a profit to the seller, and also a better price to the fishermen than they had been receiving. People were furnished in twenty days 200,000 pounds of fish.

Mr. Lord: Do you propose to carry on the same work in the future?

Mr. Hoyt: I think that is the idea.

Mr. Lord: Is that one of the means that you intend to follow to crush this monopoly?

Mr. Hoyt: We believe that there should be a campaign of education both with consumers of fish and fishermen. A fisherman must be educated to the fact that the fish that he is taking belong to the people of the state, and another thing is to educate the people of the state to eat fish. That has been done this fall. We put fish in certain places, especially in Lansing, and a ton of fish would last only one hour and people left standing in line to buy when the fish were all gone. When they found they could buy fish cheaper than meat, they began to ask for them. In Saginaw they had a ton of fish that lasted thirty-three minutes. We put thirty tons of fish in Detroit which were sold in seven days, and the only trouble was we did not have the facilities for distributing; we had to have policemen in line to keep the crowd back.

Mr. Lord: It is a fact, Mr. Hoyt, that, notwithstanding the activities of the game warden's department, our people have been paying a larger price for fish than they did ten years ago. Isn't there some weakness in the law? Anyway, such a condition ought not to exist.

Mr. Hoyt: The weakness in the law comes from this fact; that the people whose fish are being taken have had no say as to what the law should be.

Mr. Lord: In other words, you think that it is special fish interests, such as the Booth interest, that get the laws through the legislature.

Mr. Hoyt: Well, the fishermen themselves are selfish people.

Mr. Lord: It is the intention of this department to carry on a campaign of education and teach the people of Michigan so that they will better know what the fish business means to them and their rights in regard to it.

Mr. Hoyt: I think so.

Mr. Lord: What would you do, or could be done, by way of legislation to improve conditions?

Mr. Hoyt: I would place the whole matter in the hands of this department with authority to set prices to the fishermen and authority to fix the prices to the consumer, and provide means and methods of distribution.

Mr. Lord: Would you license people who sell fish?

- Mr. Hoyt: No, no one except the man who goes out and takes the people's fish.
- Mr. Lord: How could you enforce the law unless you had a license system? Some people would be selling fish for 18 cents and some people for 20 cents per pound.
- Mr. Hoyt: If we find that the dealer does not sell at the price we set, we will have to stop sending him fish. We have told people this fall that they could sell the fish provided that they do certain things, and told them that when they didn't do those things, they would not get any fish. We fixed the limit and told them they couldn't be sold for more than a certain amount. We fixed the prices at an amount where they would make some money, and where it would be an object to the fishermen to furnish the fish. If we had the power to say to the fishermen "you can fish provided you sell the fish to us at a certain price, and if you don't do so, you will have to stop fishing or we will stop you," then we could regulate the retail of the fish by saying "you can sell the fish as long as you do certain things."
- Mr. Lord: Isn't it a fact that foreign corporations come into our state, hire the fishermen and contract for the delivery of all fish they catch?
- Mr. Hoyt: I think that is true.
- Mr. Lord: Isn't there someway by which that business could be curbed?
- Mr. Hoyt: I think there is; that is a matter for the legislature.
- Mr. Lord: I should think it would be a very important thing for this department to take up with the members of the legislature. It takes men who have made a study of it, like yourselves, to make recommendations.
- The fact remains that the outside people get most of the fish and and what little we get we pay altogether too much for.
- Mr. Hoyt: My idea is that if it can be done in one state, it can be done in another. In California they are making a success of handling the fish business.
- Mr. Thompson: How do they handle it?
- Mr. Hoyt: It is all placed in the hands of the Fish Commission and they are given authority to regulate the sale and distribution. A department would have to be equipped with funds and men enough so that they could do some of the things that big corporations are doing now. We have not the money now to go out and buy the twine like the Booth people have, who say to the fishermen "why, we will furnish you all the twine, and you give us a mortgage on your outfit." Now, the department would have to be in a position to help those fellows.
- Mr. Lord: Your idea would be to give the department general supervisory powers over the fish business. I think that is a pretty good suggestion. Surely something ought to be done. There has been a good deal of complaint on the part of the citizens of Michigan about the fish being shipped out of the state and Michigan people not getting them.
- Mr. Hoyt: Just to show you what has been done. The great catch of trout is in November; fishermen go out then and bring in tons of fish where they would not get one hundred pounds at other times. These big people have taken advantage of this. Four years ago, the price they gave to the fishermen was four cents per pound. The fishermen

who got the fish got large trout and they made them take the heads off and then paid them cash at the rate of four cents per pound for the bodies. These fish were placed in cold storage and when they came out in December or January, they came out to retail markets at sixteen or eighteen cents a pound. Two years ago, they thought they would have to give the fishermen a little more and then gave them six cents. This year, we offered them ten cents, and after we had done this, we found that they had new contracts with the big corporations for nine cents. Immediately, that they found out what we were offering, they offered one cent more than we did. There isn't any doubt but that they have taken advantage. They could make the price better any time they so said.

Mr. Hoyt: Mr. Baird has started out on new work again this fall; may-be he would prefer to tell you himself.

Well, we find that certain inland lakes of the state contain fish which can't be taken by hook and line, white fish or cisco, and we find that some of the inland lakes of the state are reported to be filled with that kind of fish. Mr. Ellsworth of Chicagan Lake sent us samples of a fish which we called white fish. They are a beautiful fish, but in scaling I found that the scale was four or five times as large as white fish. They are very valuable and have a splendid flavor and are very plentiful. His idea would be, I think, to take the fish from these lakes and see that the public and consumer gets them at a reasonable price.

Mr. Baird: There was a law on the statute books, which was repealed, that I want to call your attention to. It provided that fish caught in inland lakes and rivers of the state could not be shipped out of the state. It was on the statute books for years and years, and I think was repealed by mistake.

A lot of people have been writing in here about those fish, Upper Peninsula people in particular. They have taken it up with the national government, and we have letters asking if we could possibly allow the fish to be taken out of those lakes, but it is against the law to take them out.

Mr. Lord: As to the work that you do and the work the Fish Commission does, is there any duplication of effort anywhere?

Mr. Hoyt: There is no duplication, but the fact remains that we could do the work that the Michigan Fish Commission is doing probably with the same force we have now and do it quicker and better.

Mr. Lord: And what saving do you think that would be to the State of Michigan?

Mr. Hoyt: Well, I think it would be a saving in more ways than one. There would be a saving in the distribution of fish. My theory is that fish have not been properly distributed in the past, and I am basing that on what I have seen. Last fall I had a case to attend to in Holland, and I saw fish that had been sent there that had not been called for. I saw a local deputy and asked him about it and he said the man who had ordered them was away, and examining them I found that out of eighteen cans of fish only one can had a live fish in it. I have no doubt that that condition exists in other places, and the Fish Commission is not responsible for it. But, we believe there ought to be a man at every station where fish are unloaded, in order

to get the fish in the water immediately when taken from the trains. Also, I think that these young fish, not old enough to care for themselves, ought to be planted in places most favorable, near the shores where larger fish can't get to them and give them a chance to grow.

Mr. Lord: You say you can handle that work with practically the same force you now have. Certainly that would mean a considerable saving in money to the state.

Mr. Hoyt: Well, I don't mean with the same force, we would have to have an addition to our force.

Mr. Lord: Is there really any sense in having two fish commissions in Michigan?

Mr. Hoyt: Not in my judgment.

Mr. Baird: Really, we are in bad shape on that fish commission business. If we are going to have a Public Domain Commission at all, that Public Domain Commission ought to know what class of fish is in all the inland lakes so that they can tell what fish are in certain lakes. We get word from this county and that county regarding different kinds of fish. There surely ought to be some record kept of the fish in all the lakes in Michigan.

Mr. Lord: Isn't it a fact that the State Game and Fish Department should be the department to keep that record?

Mr. Baird: I think it ought to be in one department.

Mr. Hoyt: I think there should be a system of licensing, that is a certain amount, perhaps it is large enough now, \$1.00, for every person who wants to hunt, trap or fish. That fund would be sufficient to do all the work of the Michigan Fish Commission, all the work of this department, without asking the State of Michigan for an appropriation. What I mean is that anybody who wants to go out and hunt and fish in inland streams should have one license to include it all. That would probably increase our revenue \$40,000.00 a year, perhaps more.

Mr. Lord: Take a man that goes out and hunts and fishes; is the license fee you collect now enough to commensurate the loss to the people of the state for the game and fish he gets?

Mr. Hoyt: Yes; of course for deer hunting there would be another license and that is \$1.50 for residents of the state.

Mr. Lord: What fee do you charge a non-resident for shooting deer?

Mr. Hoyt: \$25.00.

Mr. Lord: Don't you think that \$10.00 would be a reasonable fee to charge a resident of the State of Michigan for the same privilege?

Mr. Baird: Every pound of deer that a man gets costs him \$10.00

Mr. Lord: He is nevertheless taking something that belongs to all the people. He is paying now for the privilege or sport; he isn't paying anything for the game he shoots and takes home with him.

Mr. Hoyt: Another point that I intended to bring out is, the distribution and sale of non-resident angler's licenses. They are now distributed by the Michigan Fish Commission and, when they get through distributing them, they are done; they have not a man in the field to see whether people are fishing without a license or not. They know nothing about the situation only that the money comes in for the license. If that was with our department, we would have a man investigating, as we do now. We go out on the lakes on patrol

duty and we collect more money for the Fish Commission through our deputies than they collect themselves. We don't get all of them, but we get a great many that they couldn't get.

Mr. Lord: They issue the license and collect the fee and it is up to you to enforce the law, is that it?

Mr. Hoyt: Yes sir.

Mr. Lord: Is there any conflict anywhere between the work of the Fish Commission and that of this department, other than you have stated now?

Mr. Hoyt: Well, I don't think there is. We mentioned the fact of propagating fish and planting in inland waters. We think they ought to do it rather than the government.

Mr. Lord: What have you to say concerning the hatcheries?

Mr. Hoyt: We have not enough. We have hatcheries enough for white fish and trout, but we ought to be hatching herring, wall-eyed pike, perch, blue gills, etc.

Mr. Lord: Tell us what plans you have for the future in order to conserve the game and fish of Michigan, and in order that residents of Michigan can get what is their due by way of fish caught in our own waters?

Mr. Hoyt: Our plan would be to see that the laws are better enforced, if possible, and that a greater production of fish is placed in the waters. I think the main thing is to see that more fish are hatched and more planted, as far as fish in the inland waters are concerned. The kind of fish, taken by ninety per cent of the people throughout the rural districts of Michigan, are not being hatched at the present time. The activities should be extended along the line of producing these fish and placing them in the waters for people to catch.

Mr. Lord: Is that grade of fish decreasing rapidly?

Mr. Hoyt: In some localities. That is due to the fact that these fish have been sold. Two years ago the sale was stopped and I think that now the fish will increase.

Mr. Lord: What is your system in the matter of the distribution of your deputies?

Mr. Hoyt: We have them in localities where their work can be most productive. That is, we have a man located in Jackson who looks after Jackson County, part of Lenawee and Hillsdale counties and also part of Ingham. Now, he has had too much territory; he couldn't get over all the territory he had and see that the law was properly enforced. Mr. Baird has now placed another man in that territory and that will help us enforce the law. We have a man at Ann Arbor who has part of three or four counties and he would have all he possibly could do in one county.

Mr. Lord: Who looks after their activities?

Mr. Hoyt: Mr. Baird and Mr. Jones. The deputies in these districts devote their entire time to the work.

Mr. Lord: How are they paid?

Mr. Hoyt: By the day. They fill out a report card every night showing what their activities have been during the day and what they expect to do the next day, and send it to this department.

Mr. Lord: Do the deputies collect any money?

- Mr. Hoyt: Only for payment of licenses; they are under bond and they pay or turn the money in to the department every month.
- Mr. Lord: Do they do any other kind of work?
- Mr. Hoyt: Not to our knowledge. We have deputies that during the summer months in the fire zone, help protect fires; their duties being just as much to protect fires as to protect game.
- Mr. Lord: What salary do they get?
- Mr. Hoyt: The salary is fixed by law, from \$2.50 to \$4.00 a day.
- Mr. Lord: It is up to your department to say how salaries shall be distributed among the deputies.
- Mr. Hoyt: That is to be distributed by the merit system. We keep track of the work of every deputy and we know whether his work is effective or not. If he is a good deputy and in the field all the time getting results, he is entitled to more money, and as he advances, his salary is increased. In fact, we have not very many deputies in the field now but what are well trained. Most of them have had from one to several years' experience. Some of them have been with us several years—one sixteen years.
- Mr. Lord: What vacations do you allow them?
- Mr. Hoyt: None.
- Mr. Lord: Does that cover all your activities in the game and fish department?
- Mr. Hoyt: Practically all.
- Mr. Lord: Can you tell us about the forest fire department?
- Mr. Hoyt: I presume we can find someone that can give you better information as to that than I. I know it in a general way. Our part in the forestry work simply relates to the forest fires, or rather the prevention of forest fires. This work is mostly carried on during the summer months, from the month of April to the month of November.
- In the spring of the year, after the supervisors are elected, we commence gathering the names of the supervisors in every township in the state in the fire zone, and we send them a circular letter calling attention to the law and their duties in connection with forest fires. We send them fire posters to be posted in their townships, and send them other printed matter which can be distributed, cautioning sportsmen and residents against starting fires during dry and dangerous times.
- After this organization is completed, special fire wardens are appointed in different townships where there are no regular supervisors elected; that is, in unorganized townships. The supervisor immediately posts his township and takes such measures as he deems advisable to caution people against starting fires. By the law, ten fire wardens can be appointed. One of his duties is to meet with the supervisors in the spring and advise them of their duties as to the fire law, and he continues to render every supervisor in the county his aid in the work. The statute also makes the wardens of this department subject to call during fires in Michigan. Every deputy in this department could be called into service in case of fire.
- Mr. Lord: Do you think it would be an improvement if the laws governing this department were all in one act?

Mr. Hoyt: It would be better in one way. If that could be done, it would be easier for the man, when he reads the law, to understand it. We have been trying during the past years to eliminate as many as possible and boil them down to one subject.

Mr. Lord: Do you pay these supervisors anything at all from this department?

Mr. Hoyt: They are paid out of the forest fire appropriation. They are paid \$2.50 a day and can't put in more than five days a year. There is another provision by which they can work ten days for the purpose of extinguishing fires. The work of prevention is more important than that of extinguishing.

Mr. Lord: Tell us about your finances. What are your licenses; what fees do you receive, and give us the amount you have received, the aggregate for the last year, etc.?

Mr. Hoyt: We have a commercial fishing fund. Owners of power boats which measure less than five gross tons pay \$10.00 for each boat, and \$2.00 a ton over that; sail boats require a license of \$5.00; nets operated under the ice, or otherwise, by residents of the state, license fee of \$1.00; and the license number must be printed on the buoys of nets. That is the resident law. Then we have a non-resident commercial fishing law, which requires a person to pay \$50.00 for boats of less than ten tons gross and \$5.00 a ton for all boats above that, limiting the amount to \$100.00.

Then we have the hunter's license law, which provides that residents of this state shall pay \$1.00 for hunting and trapping, and non-residents of the state shall pay \$10.00 for license to hunt and trap. In addition to that is the deer hunting license law, which provides that residents of this state shall pay \$1.50 and non-residents shall pay a license of \$25.00 for the purpose of hunting deer in this state.

Then we have a system of permits which are issued for the purpose of keeping game in captivity for scientific investigations. This fee has been \$1.00, but hereafter, under the new law, it will be \$5.00.

We have, as I said some time ago, a law which provides that certain persons shall secure permits to spear white fish, and the fee for that is \$1.00; to take rainbow trout, \$1.00. These funds are to be used for enforcing the law at such time as persons are operating on lakes and streams for that purpose.

Mr. Lord: Who collects these fees?

Mr. Hoyt: Hunting licenses are sold by the County Clerk, or by deputies of this department, or by any person whom we appoint to sell them.

Mr. Lord: What per cent of the fee does the County Clerk or the agents you appoint get?

Mr. Hoyt: Ten per cent.

Mr. Lord: How often is the balance of these fees turned in?

Mr. Hoyt: Every month.

Mr. Lord: What system have you to guard against any grafting on the part of these men?

Mr. Hoyt: They are all bonded.

Mr. Lord: The County Clerk also?

Mr. Hoyt: He operates under his bond as County Clerk, but our law gives us the right, where we find the County Clerk is not bonded heavy enough, to require him to give a bond. We have never had

any trouble, except in Iron County. At one time that county owed us \$3,300.00. The Auditor General did the collecting and the County Clerk remitted through the Treasurer. Under the new law, they remit direct to us and we to the Auditor General and he to the Treasurer of the State. In this way, we know we should get the remittance on the first of every month and can readily ascertain why, if it is not here. Also, we have another way to get the money out of them, as it means imprisonment for them to collect the funds and retain them.

Mr. Lord: Have you a system of numbering the license stubs so that you know what they have issued?

Mr. Hoyt: They make a report to us every month of the number they have sold and at that time they return the unused stubs and licenses to us.

Mr. Lord: What becomes of these funds when you collect them?

Mr. Hoyt: They are all turned over to the Auditor General.

Mr. Lord: What various funds are they credited to in the State Treasury?

Mr. Hoyt: Game and fish protection fund.

Mr. Lord: You only have the two funds now?

Mr. Hoyt: I am not sure because the Auditor General handles that. It all goes to the game and fish protection fund under the new law, I believe, with exception of the commercial fishing fund.

Mr. Lord: Well, I have noticed in the past that most all legislative acts state that the fees collected under this act shall be credited to such and such a fund. I find there are seven, eight or nine different funds to which fees collected by this department are credited to.

Mr. Hoyt: I think the laws you refer to have been repealed.

Mr. Lord: Miss Frost, will you tell us the amounts received by the department last year; the amount of fees and the amount credited to the various funds.

Miss Frost:

Game protection fund	\$187,151.72
Commercial fishing fund.....	16,751.72
Special fire appropriation refund on freight bill.....	28.08
Obnoxious fishing fund	5,214.70
Spawn fishing	123.34
Receipts to the fire fund.....	899.75
Amount allowed from the general fund to cover our disbursements	42,423.38

Mr. Lord: What was the aggregate amount of the receipts independent of the general fund?

Miss Frost: \$229,269.48.

Mr. Lord: Can you tell us what balance you have to the credit of each of those funds in the State Treasury?

Miss Frost: Balance credited to each fund December 1st:

Game protection fund.....	\$187,727.39
Commercial fishing fund.....	3,102.25
Special fire fund	18,807.07
Spawn fishing fund.....	155.69
Obnoxious fishing fund	3,436.91

Aggregate balance\$213,231.31

Mr. Lord: Is that about the average balance you have during the year?

Miss Frost: That is high.

Mr. Lord: What would you say would be the average aggregate balance for the year?

Miss Frost: I believe \$150,000.00 would be a fair estimate.

Mr. Lord: You are not permitted to transfer any of these moneys from one fund to the other?

Miss Frost: No, sir.

Mr. Lord: What do you do when you have more money in any fund than you can use?

Mr. Baird: Well, we would not have \$213,000.00 only we have not been buying so many bolts on account of their high price.

Mr. Lord: Have you used all your money every year?

Mr. Baird: Oh, no.

Mr. Lord: Can you tell us what the cost of the department was last year by funds?

Miss Frost:

Game protection	\$134,252.88
Commercial fishing	15,836.44
Special fire	18,463.06
Obnoxious fishing	6,371.88
Spawn fishing	916.58
General fund	43,323.13

Mr. Lord: Mr. Baird, will you tell us about the fire protection proposition?

Mr. Baird: Well, there never were two offices. We have one chief fire warden and the statute provides that we may have one special assistant appointed to the Game Warden. We did not feel we needed that so the Public Domain Commission wanted to appoint a man to look after the fire interest alone, and they took that office away from this department and put it in up in the Upper Peninsula. They took over the Northern Fire Protection Company.

Mr. Lord: Don't you have any supervision at all?

Mr. Baird: Oh, yes; but they wanted an office of their own up there and they kept Mr. Wyman at the head of it.

Mr. Hoyt: They really took the work formerly done by one man and divided it between two men.

Mr. Lord: Do you think that one man could do it at less expense and do it as efficiently and effectively as two men can do it?

Mr. Baird: I think it is better with one man.

Mr. Lord: Did you ever make a recommendation to the Public Domain Commission to that effect?

Mr. Baird: I did at the last meeting. At the last meeting of the Public Domain Commission, effort was made to create another place to take over the Lower Peninsula and have it the same as the Upper Peninsula.

Mr. Lord: What was the object of creating that Upper Peninsula office?

Mr. Baird: The lumbermen up there had a fire fighting force of their own and wanted the state to take it over.

Mr. Lord: And the state did take it over as they wanted and, more than that, kept the head of the department. What is the monthly cost of that department up there?

Miss Frost:

Postage	\$ 10.00
Clerk	100.00
Mr. Wyman	160.00
Office rent	30.00
Lights	1.00
Telephone	9.00
Telegraph	2.50
Office supplies	5.00

—————\$317.50 per month.

Mr. Lord: Will you give us the figures for the Lower Peninsula in the same way?

Miss Frost:

Mr. Pierson's clerk.....	\$ 75.00 (from first of April to first of November).
Rent	5.00
Postage	10.00
Telephone	5.00

Mr. Lord: Now, then, Mr. Baird or Mr. Hoyt, is there any way that you can increase the efficiency of your department? Do you know of anything you can do, or anything you need, that will increase the efficiency of the department?

Mr. Baird: I think I do. I don't think anything has been done in Michigan to look after the inland fishing in the state, or allowing the people to take the fish that are there. I feel sure now that there are thousands of pounds of white fish that have died of old age in the inland waters of the state. There was no way to get them out under the law; it is against the law to get them by spearing or netting them, and the only other way is by hook and line.

Mr. Lord: Has there ever been any effort to repeal the law?

Mr. Baird: I don't know.

Mr. Lord: Your idea is, then, to open these lakes to the public for the purpose of fishing?

Mr. Baird: Yes, to keep the fish in the state.

Mr. Lord: Do you intend to make such a recommendation to the legislature.

Mr. Baird: Yes sir.

Mr. Thompson: Should there be a law restricting the shipping of Great Lakes fish out of the state?

Mr. Baird: I don't think so. I think the California plan is a good one; they have a Market Director in connection with the Fish and Game Department. He has power to compel them to sell so much of their product. In Canada, if a man has any amount of fish, even though they be packed, he has to open the box at any time and sell the fish for six cents per pound right along, and we pay fifteen or sixteen cents over here for the same kind of fish.

Mr. Lord: There is no reason why they should get fish in Canada for six cents and we pay fifteen or sixteen cents.

Mr. Lord: I suppose one of the reasons why your activities are so much more varied is because of the fact that we have more game and more fish.

- Mr. Hoyt: Yes, we have more fish, that is the reason.
- Mr. Lord: What property does the department own?
- Mr. Hoyt: We have ten motor boats running in value from \$300.00 to \$5,000.00.
- Mr. Thompson: What are they worth as a whole?
- Mr. Hoyt: It is hard to set a price on motor boats after they have been put into the water. I don't think they are worth \$10,000.00. I would have asked the commission this fall to buy another boat, but it isn't the right time to be buying.
- Mr. Thompson: What is the property worth down near Mason?
- Mr. Hoyt: We paid \$16,500.00 for it.
- Mr. Thompson: Have you an inventory?
- Mr. Hoyt: Yes, sir. The place is worth \$25,000.00.
- Mr. Baird: I believe it is worth \$30,000.00.
- Mr. Hoyt: I was going to say the equipment is worth \$10,000.00 more.
- Mr. Thompson: How many acres have you?
- Mr. Baird: One hundred and ninety-six. There are about four acres in one corner that we really ought to get.

STATE LIBRARY

- Mr. Lord: Are you the State Librarian, Mrs. Spencer?
- Mrs. Spencer: I am.
- Mr. Lord: And have charge of all the books, documents, etc., in the State Library?
- Mrs. Spencer: Yes sir.
- Mr. Lord: Will you state, in a general way, what you have accomplished since becoming librarian, and what you propose to accomplish in the future?
- Mrs. Spencer: When I became State Librarian, the library had glass doors; every case was put up in this way and the books were only for the use of employes of the state and members of the legislature. As it is now, there is no individual in the state, by carrying out very simple rules, that cannot get books from the State Library; everything except reference books and books in the law library. We have never, in five years, had to refuse anyone a book because they couldn't get proper endorsement.
- Mr. Lord: When did you become State Librarian?
- Mrs. Spencer: Twenty-five years ago; that was when I was made librarian, 1892.
- Mr. Lord: How many volumes did you have at that time?
- Mrs. Spencer: Sixty-three thousand.
- Mr. Lord: How many have you today?
- Mrs. Spencer: About 300,000.
- Mr. Lord: What was the cost of the State Library the first year you became librarian and what was the cost the last fiscal year?
- Mrs. Spencer: Well, when I became State Librarian, there were no traveling libraries and I can't just tell what the cost was then.
- Mr. Lord: Well, what was the cost last year, or for the last ten years?
- Mrs. Spencer: For the last ten years, I have had a \$5,000.00 appropriation each year for the State Library and \$5,000.00 for the traveling library.

Mr. Lord: For what purpose was the \$5,000.00 spent?

Mrs. Spencer: Purchase of books.

Mr. Lord: What I want to know is the aggregate cost of the library, including salaries, expenses, etc.

Mrs. Spencer: Well, the cost of the library has been \$5,000.00, in addition to salaries.

Mr. Lord: Does that include expenses of shipping and postage?

Mrs. Spencer: No, postage comes out of the general fund.

Mr. Lord: You don't know what amount you draw from the general fund?

Mrs. Spencer: For salaries, printing and binding, stationery and blanks. The appropriation is used for the purchase of books only.

Mr. Lord: Are other expenses paid from the general fund?

Mrs. Spencer: Yes.

Mr. Lord: Do you keep any account at all showing the exact amount drawn from the general fund?

Mrs. Spencer: Oh, yes. Vouchers show that. We have a copy of all our vouchers.

Mr. Lord: Do you have a book account of those; are they entered in any book?

Mrs. Spencer: We can tell by looking at the vouchers.

Mr. Lord: But you would have to check through all the vouchers?

Mrs. Spencer: Yes.

Mr. Lord: Don't you think it would be a good idea for the State Library to keep a book in which the aggregate amount of vouchers be shown?

Mrs. Spencer: Yes, we could do that by copying it every month; that used to be done but late years we have not; we used to keep track of the cost of all books, but now each book has the price marked in it.

Mr. Lord: The question we asked you was, what the aggregate cost of the library was for the last year.

Mrs. Spencer: Well, for instance, by referring to the vouchers, the last voucher shows the exact amount of money I have left out of the appropriation.

Mr. Lord: I am asking for cost, including the amount drawn from the general fund.

Mrs. Spencer: I can't tell. I didn't know that any department did that. If you should ask me what money I have now, as a balance, I could tell it,—\$82.00.

Mr. Lord: You could tell the balance of your appropriation, but you couldn't tell how much you had drawn from the general fund?

Mrs. Spencer: No. I understand now; you mean everything the library costs.

Mr. Lord: Yes; what the State Library is costing the taxpayers every year.

What we would like to know is, just what the increase in cost has been since you became State Librarian, and how that balances up with the increase in volume of business done by this department. Have you any idea, approximately, as to what the library cost last year?

Mrs. Spencer: I could give you that for one year, for the fiscal year

ending 1916. I don't think it would be as much this year as last because we have not done so much state binding.

Postage	\$ 459.00	
Binding	1,860.40	
Printing	2,083.01	
Stationery	442.24	
		\$4,844.65

Mr. Lord: Have you got everything that you need by way of equipment, etc., in the library?

Mrs. Spencer: You mean the library itself?

Mr. Lord: I mean everything in connection with the library.

Mrs. Spencer: Well, I couldn't say that I had everything that I would like. For instance, my office here; but it don't make much difference to me where I am.

Mr. Lord: Do you send out very many documents or letters; is your mailing list large?

Mrs. Spencer: My mailing list for one month is about four or five hundred letters.

Mr. Lord: Do the letters go to the same ones every month?

Mrs. Spencer: Oh, no. We have a list of nearly two hundred libraries connected with us and we send everything to them.

Mr. Lord: Does that constitute your mailing list?

Mrs. Spencer: I have a mailing list of all the states in the Union.

Mr. Lord: Do you send out any state publications from the various departments?

Mrs. Spencer: All that the Secretary of State's office does not attend to, we do. There were 243,000 books passed through, received and sent out, in my shipping room in two years. We send to every state in the Union, South America, Philippine Islands, and to England.

Mr. Lord: The same mailing list all the time?

Mrs. Spencer: Just within the last three months I have sent a list to every one of our exchanges and asked them to cut out the documents that they do not want, and I have notified the Secretary of State that instead of 200 copies of publications, I would get along with 125; we are revising our mailing list and every one shows what they want.

Mr. Lord: Can you tell us about the number of persons and institutions on each of your mailing lists that you have?

Mrs. Spencer: We mail to state libraries. That mailing list is now in the shipping room and you can find out there.

Mr. Lord: Now, then, Mrs. Spencer, you address all these wrappers and envelopes in what way?

Mrs. Spencer: We typewrite them.

Mr. Lord: It amounts to a great many thousands during the year?

Mrs. Spencer: Well, I couldn't tell you just how many there are and I wouldn't want to say that there were many thousands.

Mr. Lord: Do you send any documents to the public schools?

Mrs. Spencer: That is done by the Secretary of State. We send our bulletins to all superintendents of schools.

Mr. Lord: Mrs. Spencer, can you tell us how many lists of names you have that you send publications to?

Mrs. Spencer: Well, we have two lists: this one (shown) and those outside of the state.

Mr. Lord: How about school mailing lists?

Mrs. Spencer: They are sent to every school that has a library.

Mr. Lord: What we want to know is, if there is a sufficient volume of mailing done to warrant an addressing machine.

Mrs. Spencer: I have been offered the use of that one in the Public Instruction Department, just as they use our mimeograph.

Mr. Lord: The mimeograph that you speak of, is that of considerable aid to you? Do you send out quite a large number of form letters?

Mrs. Spencer: No; I couldn't do that, except in sending out blanks to be returned. When I send out these letters I make one original letter and the rest I make on the mimeograph. The mimeograph is used more up in the legislative reference bureau.

Mr. Lord: Have you any more help in the library than you actually need? Do you think you need all the people that you have?

Mrs. Spencer: Yes. I get along with our regular force. Occasionally I get temporary help for a month or so, and when they get through they go.

Mr. Lord: Who makes the appointments of the working force in the library?

Mrs. Spencer: I appoint them with the consent of the Governor. I submit the names to the Governor.

Mr. Lord: Under the law, does the Governor have to approve the appointment of your employees?

Mrs. Spencer: Yes, they are appointed with his advice and consent.

Mr. Lord: Getting back to the increase in the number of volumes in your library; that is a very large increase. Has there been a corresponding increase in the number of your employees to handle this business?

Mrs. Spencer: When the library was closed up, when it was a closed department, as I told you, I think there were about seven people. There was a time when we only kept it open, the law library, for instance, during the day, but now it is open from 9 o'clock in the morning until 9 at night.

Mr. Lord: Does keeping it open necessitate additional help?

Mrs. Spencer: We always had one law clerk; we keep it open now until 9 at night and I have a man who has been here a number of years, who came in as a janitor, who is thoroughly familiar with the law department, and he stays nights and gets \$25.00 a month for it. I do this instead of having an extra clerk.

I was going to say that we had six employees thirty years ago. Since that time, the library has been opened up until it covers the whole state. I think that the average pay roll during the year shows about 19 people.

Mr. Lord: Now, Mrs. Spencer, you think that all the activities in which the library is engaged are necessary?

Mrs. Spencer: I certainly do, and may I say that I have had no vacation for ten years. I spend my time here, every minute, and I am doing the work of at least two people. I do it because I am perfectly willing to do it and because I have a certain standard that I want to keep this library up to. This library stands at the head of all

state libraries in the United States, and it has been a matter of pride with me to keep it up to the very highest standard. I have good help, but I know that if you want a thing done just as you want it, you have to do it yourself.

Mr. Lord: You have active supervision of all the employees?

Mrs. Spencer: Absolutely; I am the one that is held responsible for everything that goes wrong.

Mr. Lord: What salary do you get?

Mrs. Spencer: \$1,800 a year. I worked here ten years for \$700.00 a year; then I got \$800.00; then to \$1,200, and now I am getting \$1,800.00.

Mr. Lord: Do you draw any other salary?

Mrs. Spencer: Yes, I am Secretary of the State Board of Library Commissioners and draw \$800.00 a year for that work; making my total salary \$2,600.00. That is one reason that I give all my time to this work.

Mr. Lord: How long have you been getting this extra \$800.00?

Mrs. Spencer: Only for the last three or four years; at first they paid me \$25.00 a month. I want to say that we are working in this state for 50% of the expense it is costing other states, for the reason that I have charge of this commission work. We have three people in the field, and everything has to be directed from this desk. Every part of the stenographic work and shipping work is done here.

Mr. Lord: Would you need all the clerical help you have if you were not connected with this board?

Mrs. Spencer: Yes, it is this way. For instance, you take stenographers, I would have to have two stenographers anyway; they do other work. There is not a state in the union where so much work is done as I am doing, but they all pay more salary.

Mr. Lord: What position does Mrs. Shier hold here?

Mrs. Spencer: She is Deputy State Librarian. She gets \$1,500.00 a year.

Mr. Lord: Does she get any salary from other sources?

Mrs. Spencer: Mrs. Shier takes entire charge of the field workers. We have three, Organizer, Visitor, and County Normal Director; she has charge of that work and the Board of Library Commissioners pays her \$25.00 a month.

Mr. Lord: Couldn't that be done by the library itself without any special person to look after that branch of the business?

Mrs. Spencer: Well, we have just about all that we can take care of now.

Mr. Lord: You think it is absolutely necessary and essential?

Mrs. Spencer: The commissioners feel that way about it.

Mr. Lord: How much of Mrs. Shier's time does that work take?

Mrs. Spencer: She does that all after hours, after 4 o'clock entirely. I do a great deal of my work after office hours. In most of the states they pay from \$2,000.00 to \$3,000.00 for this commission work and then have a separate force.

Mr. Lord: What are the duties of the State Board of Library Commissioners?

Mrs. Spencer: To organize the school libraries and the state district libraries and township libraries; to build up libraries, strengthen weak ones and organize new ones.

Mr. Lord: As a matter of fact, you and Mrs. Shier do all the work, don't you?

Mrs. Spencer: Well, I don't act without the board's consent.

Mr. Lord: Couldn't you do the work without any board? Do you think the Board of Library Commissioners is essential? Don't you think the State Librarian is the proper person to have charge of the work they do?

Mrs. Spencer: If the voice of the people is the voice of God—

Mr. Lord: You are not answering my question.

Mrs. Spencer: I could do it, but I think that the Board of Commissioners coming in every three or four months, going over the whole ground, criticizing me and the work, is a very good thing. I know all the influential states of the union have them.

Mr. Lord: So that you really think it is necessary?

Mrs. Spencer: If we need economy, cut it off. If not, and the state can afford it, I think we ought to have it.

Mr. Lord: You don't think the standard of the work would suffer if that board was abolished?

Mrs. Spencer: I think it might out in the state. We have fine men on that board; Mr. Munson was a member of that board; he is Deputy Superintendent of Public Instruction and conducts the normal work which is a worthy work. Mr. Pattengill, no one is better known in the state than he.

Mr. Lord: Can you tell us what that board costs the state?

Mrs. Spencer: Just traveling expenses only; \$50.00 a year for the whole thing.

Mr. Lord: So that about all the work the board does is meeting here. Now, isn't it a fact that when they meet here, they take your word for everything?

Mrs. Spencer: No, I have been criticized. They have not agreed with me on some things, and if they did not come around to my way of thinking, I did as they desired, and awaited results.

Mr. Lord: Who are the employes of the Board of Library Commissioners, besides Mrs. Shier and yourself?

Mrs. Spencer: That is all.

Mr. Lord: How about those who are out calling on the small libraries of the state?

Mrs. Spencer: Miss Nina K. Preston of Ionia works part of the time and gets \$600.00 a year; Miss Alley, \$1,100.00 or \$1,200 a year, and Miss Pomeroy, \$1,100.00 a year.

Our library visitor is going most of the time. She visits the schools and talks with the teachers and explains how to use books. She only stays in one place a day or day and a half, as a general thing; when organizers are sent, we pay traveling expenses, but they pay living expenses. That takes from two to three weeks to organize as they stay and give instructions to the local librarian.

Mr. Lord: In looking over your payroll, we notice that two of your employes are on twice, Mr. Ormsbee, for instance?

Mrs. Spencer: He works nights, the \$25.00 he gets is for overtime.

STATE OIL INSPECTOR

Mr. Lord: Mr. Barron, are you the State Inspector of Oils?

Mr. Barron: Yes, sir.

Mr. Lord: Will you state to the Budget Commission, the nature of your work, what you have accomplished, and what benefits are derived by the people of the state from your work, etc.?

Mr. Barron: Why, the duties of the oil inspector are to see that the deputies inspect all the kerosene and illuminating oil that comes into the State of Michigan.

Mr. Lord: You say oil used for illuminating purposes?

Mr. Barron: Yes; any used for manufacture of gas is not inspected. Several of the deputies have at different times been called to inspect oil and upon examination have found it to be gasoline. Had there been no inspection law, this gasoline would have been sold for kerosene and a great amount of damage would have resulted.

Mr. Lord: Then the principal benefit derived from the work of the Oil Inspector's Department consists of prevention of accidents. Are there any other benefits?

Mr. Barron: Don't think of any.

Mr. Lord: How much oil did you inspect last year?

Mr. Barron: 36,131,000 gallons.

Mr. Lord: How much of that did you reject as being not up to proper standard?

Mr. Barron: 39,000 gallons.

Mr. Lord: Held by a large number of people or just a few?

Mr. Barron: Quite general. No one company's oil.

Mr. Lord: Do you inspect the oil as much as possible where it is in tanks, in car loads?

Mr. Barron: All oils are inspected in tank car lots before it is unloaded. Barrel shipments are inspected before removal from the depot.

Mr. Lord: Do you go into stores where they sell kerosene?

Mr. Barron: Just to enforce the "red can" act as to gasoline.

Mr. Lord: Do your deputies visit all grocers and stores selling gasoline for that purpose?

Mr. Barron: Yes sir. They are supposed to cover all grocery stores.

Mr. Lord: They don't actually inspect the oil in the grocery stores?

Mr. Barron: No; oil is inspected before its removal from the car.

Mr. Lord: What is the amount of bond you give to the State of Michigan?

Mr. Barron: I think the law requires \$10,000.00.

Mr. Lord: What kind of a bond?

Mr. Barron: Surety bond.

Mr. Lord: Do your deputies give any bonds?

Mr. Barron: They give a bond to me.

Mr. Lord: In what amount?

Mr. Barron: \$1,000.00 for each one.

Mr. Lord: What is the largest amount of their collections every month, on an average?

Mr. Barron: Last year they ran up to, and over, \$1,000.00, some of them. This year they have not exceeded \$800.00.

Mr. Lord: Who approves the bonds of the deputies?

- Mr. Barron: The Judge of Probate in the county where the deputy is located.
- Mr. Lord: Where is that bond filed?
- Mr. Barron: With the County Clerk in the county where the deputy is located.
- Mr. Lord: Does the County Clerk notify you when the bond is filed?
- Mr. Barron: Yes, sir.
- Mr. Lord: You have those certificates on file in your office?
- Mr. Barron: Yes, sir.
- Mr. Lord: How often are the fees collected by the deputies turned over to you?
- Mr. Barron: Once a month.
- Mr. Lord: What do you do with them?
- Mr. Barron: The first year I was inspector, they were deposited with local banks and turned in at the end of the year; but I took it up with the Board of Auditors and decided to make remittance every quarter, and this year I have been sending the fees to them monthly.
- Mr. Lord: To whom have you been sending the money?
- Mr. Barron: The State Treasurer.
- Mr. Lord: To whom do you send reports of those collections?
- Mr. Barron: To the Board of Auditors.
- Mr. Lord: They check up the receipts do they, or do they depend on what the deputies and yourself say?
- Mr. Barron: Every month the deputies file their report with the Board of Auditors and one with me, and every three months I make a quarterly report, and every year a yearly report; and it is all checked over by the Board of Auditors.
- Mr. Lord: Do you send copies of that report to anybody else besides the Board of Auditors?
- Mr. Barron: Of my yearly report, do you mean?
- Mr. Lord: Yes, either report.
- Mr. Barron: A copy of my annual report is sent to the Governor and a copy to the State Board of Health.
- Mr. Lord: What salaries do you pay your deputies?
- Mr. Barron: The salary is based on the amount of fees.
- Mr. Lord: Isn't there a maximum?
- Mr. Barron: \$75.00 for inspection of oil and an additional \$12.00 a month for enforcing the "red can" act.
- Mr. Lord: Was that \$12.00 a month provided for in the act covering the inspection of red cans?
- Mr. Barron: They are paid \$3.00 per day, but they can't receive pay for more than four days in one month.
- Mr. Lord: Are you personally paid anything at all for that work?
- Mr. Barron: Yes sir.
- Mr. Lord: How much?
- Mr. Barron: \$3.00 a day.
- Mr. Lord: Are there any limitations to the number of days you may work?
- Mr. Barron: No sir.
- Mr. Lord: How much did you receive last year for that kind of work?
- Mr. Barron: \$912.00.
- Mr. Lord: What was your salary as State Inspector of Oils?

Mr. Barron: \$1,500.00.

Mr. Lord: Making you a total salary of \$2,412.00 for last year?

Mr. Barron: Yes sir.

Mr. Lord: What is your per diem, \$3.00 per day the same as deputies, or more?

Mr. Barron: \$3.00 per day.

Mr. Lord: For what purpose do you use a "Press Clipping Bureau"?

Mr. Barron: To inform me of the accidents that occur from use of the wrong oil.

Mr. Lord: Is that your basis of record of accidents caused by defective oil? You get it through the press?

Mr. Barron: Yes, and the deputies report to me also.

Mr. Lord: You really think that all this work that you are doing is a good thing for the people of the state?

Mr. Barron: I really do.

Mr. Lord: Do you know of any place where the expense of the Oil Inspector's Department could be cut down without impairing the efficiency of the work?

Mr. Barron: No, I do not.

Mr. Lord: Don't you think the State Oil Inspector could do all of this work very nicely, on one salary, without getting two?

Mr. Barron: No, I don't, where a department turns in the amount of money to the treasury that we turn in.

Mr. Lord: That's no reason for extravagance. If the work could be done with one salary it should be done with the one salary. Do you think the work of the State Oil Inspector is worth \$2,400 a year?

Mr. Barron: I do.

Mr. Lord: In looking over the table of salaries paid, I notice that a number of your deputies receive more than \$75.00 a month, in the aggregate for the year?

Mr. Barron: None of them get over \$84.00. That's the combination of the two salaries.

Mr. Lord: Do you think that is good business, having two salaries paid under two separate acts?

Mr. Barron: Well, yes I do, in a way, because they might neglect the "red can" law if they were not to receive pay for it.

Mr. Lord: You would not keep them long if they neglected their work, would you?

Mr. Barron: No, that's true.

Mr. Lord: As oil inspector, are you supposed to visit the deputies?

Mr. Barron: Yes, once a year.

Mr. Lord: How many deputies have you?

Mr. Barron: Twenty-six.

Mr. Lord: That is the maximum number you can have. Do you know why that maximum was placed in the act?

Mr. Barron: I do not.

Mr. Lord: Under the law, you have authority to spend all the money you collect and call on the State Treasurer for more if you need more, don't you?

Mr. Barron: That's the way it was framed.

Mr. Lord: Do you think that is a good law?

Mr. Barron: No, I don't.

- Mr. Lord: Do you buy your own office supplies and rent your own office?
- Mr. Barron: Some of the supplies I buy, but furniture is bought on requisition through the Board of Auditors. If I should buy a typewriter, adding machine or anything like that, I would buy through the Board of Auditors.
- Mr. Lord: What change would you make in the law to limit the authority of the Oil Inspector in the matter of spending money?
- Mr. Barron: I am not an attorney, and don't know as I could suggest the kind of law that should be drawn.
- Mr. Lord: Would you change the law and require all the bills to go to the Board of Auditors before they are paid?
- Mr. Barron: Yes, I think that would be a good thing. There might be an inspector that would take advantage of it.
- Mr. Lord: In regard to your deputies' traveling expenses; what do you require them to do by way of sending in vouchers calling for payment of expenses incurred?
- Mr. Barron: Every deputy collects all the fees for inspection of oil in his district and deducts his salary and expenses.
- Mr. Lord: What sort of a statement does he furnish you?
- Mr. Barron: A monthly report.
- Mr. O'Brien: How do you know how many gallons a deputy has inspected?
- Mr. Barron: He files with his report a certificate showing it.
- Mr. O'Brien: What evidence have you that it is a correct record; that all the oil in any particular district has been inspected?
- Mr. Barron: The depot agent calls the deputy up as soon as the car arrives at the station.
- Mr. O'Brien: How do you know but that there might be two cars and not just one?
- Mr. Barron: If there were two cars the deputy would inspect them.
- Mr. Lord: Supposing your deputies did not report a certain car inspected?
- Mr. Barron: I would not have any check with some companies and with some I would. Some of the companies would notify me that car number so and so had not been inspected.
- Mr. Thompson: Suppose that there were two cars at a certain point and your deputy went and inspected both cars and only reported one to you, and that he pocketed the fees of that other car, what check would you have on that operation?
- Mr. Barron: Don't know as we would have any.
- Mr. Lord: The door is left wide open in a case like that.
- Mr. Thompson: You report a certain number of gallons in the report I am looking at, 6,498 gallons. How do you know that there were that many gallons?
- Mr. Barron: The West Trunk Line prints a book giving a table as to capacity of cars and I go by that.
- Mr. Thompson: Then your only possible error would be that the inspector would not report certain inspections and keep the money. Would it not be fair to you that he would get the signature of somebody in charge of that oil that he inspected? When he collects fees what kind of a receipt does he give?

- Mr. Barron: Don't think he gives any receipt at all.
- Mr. Thompson: No receipt given for fees?
- Mr. Barron: I don't believe so. Inspection fees are paid by oil companies at the end of each month to the deputy who inspects the oil.
- Mr. Thompson: Your monthly report is the only record of the matter that you have?
- Mr. Barron: Yes sir.
- Mr. Thompson: How would you know that the inspector reported all his inspections?
- Mr. Barron: Well, if the deputy was dishonest, I would have no way of knowing.
- Mr. Thompson: Are you sure that you make all collections from the companies?
- Mr. Barron: I hold the deputies responsible for payment to the state. The deputy is held for every inspection he makes.
- Mr. Lord: Getting back to the bond. Does the deputy give a surety bond?
- Mr. Barron: Some do, and some give personal bonds.
- Mr. Lord: Have you ever caught any of your deputies stealing?
- Mr. Barron: No sir, I never have.
- Mr. Lord: Who makes the appointments of deputies?
- Mr. Barron: I do.
- Mr. Lord: Do you make them on your own initiative, or at the request of the Governor?
- Mr. Barron: Both ways. Since Governor Sleeper has taken office, I have consulted him on all appointments.
- Mr. Lord: Who appointed you?
- Mr. Barron: Governor Ferris.
- Mr. Lord: A large number of your appointments are made on the request of the Governor, are they?
- Mr. Barron: I would say so, yes.
- Mr. Lord: How long have you been Oil Inspector?
- Mr. Barron: Since September 1st, 1914.
- Mr. Lord: How many of your deputies have you appointed on your own initiative since that time?
- Mr. Barron: Just one, I believe.
- Mr. Lord: How many have been appointed altogether since you have been inspector?
- Mr. Barron: In the neighborhood of thirty. Some resigned and some died.
- Mr. Lord: So that as a matter of fact, all the appointments made in your department are made at the request of somebody else.
- Mr. Barron: The local committee is always consulted.
- Mr. Lord: Political committee?
- Mr. Barron: Yes.
- Mr. Lord: They are appointed because of political influences rather than for their ability to perform their duties?
- Mr. Barron: Yes, but if they would not or could not perform their duties, I would not keep them. I have discharged two since being inspector.
- Mr. Lord: When were they discharged?

- Mr. Barron: I can't give you the exact dates. One in 1916 and one in 1917.
- Mr. Lord: Were they your own appointees?
- Mr. Barron: Yes sir.
- Mr. Lord: No appointments are made unless the applicant gets the endorsement of the local political committee?
- Mr. Barron: Or o. k.'d by the Governor.
- Mr. Lord: Do you think that is a good system, Mr. Barron?
- Mr. Barron: Well, you have to leave it to somebody.
- Mr. Lord: You think the local political committee is the proper party to make recommendation for appointments to the public service? You think that is much better than recommendations from responsible business interests, such as banks or large manufacturers, do you?
- Mr. Barron: Why, yes in a way, I do. Because you can get quicker action.
- Mr. Lord: Why do you have to get quick action?
- Mr. Barron: In case a deputy died and I had to wait to refer to banks, it would take a week or so before I could fill the vacancy.
- Mr. Lord: You hurry the matter and in order to do so, you take the matter up with the local political committee and they send a man right along, is that it?
- Mr. Barron: Yes sir.
- Mr. Lord: You were appointed under a democratic Governor and, when you wanted to make a new appointment, you took it up with the Governor and he probably got into communication with the local democratic committee in the district where the appointment was to be made, and upon recommendation of that committee, appointment was made. Is that the course that has been followed?
- Mr. Barron: Practically. Not only with Governor Ferris, but with Governor Sleeper, also.
- Mr. Thompson: What is this test that you make, Mr. Barron?
- Mr. Barron: What is called a "flash" test.
- Mr. Thompson: Tell us about it briefly.
- Mr. Barron: The oil when heated must flash at a point on the thermometer not lower than 120 degrees Fahrenheit.
- Mr. Thompson: How long does it take you to train a man to make that test?
- Mr. Barron: A very short time.
- Mr. Thompson: How long?
- Mr. Barron: Oh, a couple of tests will generally train him.
- Mr. Thompson: When do they make rejections?
- Mr. Barron: When it falls below 120 degrees.
- Mr. Thompson: What does that indicate?
- Mr. Barron: It indicates that there is gasoline or some other mix-up with the oil.
- Mr. Thompson: Why would the companies put gasoline in kerosene?
- Mr. Barron: Through a mistake at the refinery or something like that.
- Mr. Thompson: I notice that in some cases you have a lot of rejections in certain districts, and in others you have none.
- Mr. Barron: Just happened that way.
- Mr. Thompson: Can you trace that out from any source or cause? It

seems inconceivable that an oil company would sell gasoline for kerosene when gasoline would sell for twice as much.

Mr. Barron: It is the result of a mistake.

Mr. Thompson: Are all these matters results of mistakes?

Mr. Barron: Yes sir.

Mr. Thompson: What is the cost per gallon to the company for the inspection?

Mr. Barron: One-fifth of a cent.

Mr. Thompson: Do you figure that this is added to the cost of oil in this state?

Mr. Barron: I do not.

Mr. Tompkins: Don't you find any other adulterations?

Mr. Barron: We don't make a chemical test.

Mr. Lord: What is this item of miscellaneous inspections?

Mr. Barron: That comes from oil companies remitting for inspections which got by the deputies. The deputy perhaps got no check or record of the car and the company made remittance for it afterward.

Mr. O'Brien: Do they remit for cars that have not been inspected?

Mr. Barron: Yes. You see oil might be sent to a new station where they didn't know it had to be inspected, and when the record got back to head office, they would remit for it.

Mr. O'Brien: What right have they to pay such a fee? What right have you as Oil Inspector in Michigan to permit it?

Mr. Lord: What right have you to allow oil to be sold without being inspected?

Mr. Barron: It would probably be two months before I would know it.

Mr. Thompson: There is a big possibility of a lot of oil in Michigan not being inspected.

Mr. Barron: Not a big possibility. It don't occur very often.

Mr. Thompson: There is a possibility of other cars that were not inspected where companies were not honest enough to report.

Mr. Barron: Possibly with some companies.

Mr. Thompson: How do you know how much oil comes into Lansing?

Mr. Barron: All the check I have is what the deputy reports that he inspected.

Mr. Thompson: What check has he?

Mr. Barron: He has none.

Mr. Thompson: How does he know there is oil here to be inspected?

Mr. Barron: The local agent calls him up.

Mr. Thompson: Do you prosecute anybody for not reporting these inspections?

Mr. Barron: Never have.

Mr. Thompson: Have you had any trouble with people not reporting oil to be inspected?

Mr. Barron: Just a few cases, where new stations receive it or something like that. Never have reported any cases to the Prosecuting Attorney. There is a case pending in Monroe county now.

Mr. Thompson: How many cases of prosecution have you had during your term?

Mr. Barron: Well, the prosecutions are in the hands of the Prosecuting Attorney; all I do is to turn the facts over to him.

- Mr. Thompson: Is that one case the only one reported to a prosecuting attorney?
- Mr. Barron: No.
- Mr. Thompson: Who do you rent your office from?
- Mr. Barron: Myself.
- Mr. Thompson: Who is your stenographer?
- Mr. Barron: My wife.
- Mr. Thompson: Your record shows that you worked on red can inspections three hundred and four days last year, in addition to your salary as inspector; presumably you earned your salary outside of three hundred and four days?
- Mr. Barron: Why, as I related to Mr. Lord, I attend to correspondence, supplies, etc.
- Mr. Thompson: Do your deputies make any reports to you relating to the red can law?
- Mr. Barron: Yes, sir.
- Mr. Thompson: How much time did your deputies put in enforcing the red can act during the last year?
- Mr. Barron: Some of the deputies put in more than others. Salary of each is given in the report.
- Mr. Thompson: The total number of days they could put in, counting every day they could collect for under the law, is 2,248 days. You put in 304 days supervising 2,248 days' work.
- Mr. Barron: Yes, sir.
- Mr. Thompson: In this inspection report which you refer to; inspector's expense account is for how long a period?
- Mr. Barron: One month.
- Mr. Thompson: How many inspections under the red can law did he make during that month?
- Mr. Barron: Eighteen during the four days he charged up for that work.
- Mr. Thompson: In how many towns were those inspections made?
- Mr. Barron: In four towns.
- Mr. Lord: Now, Mr. Barron, to get back to the collection of moneys by deputies. Don't you think it would be an improvement in the law if you were to bill those people yourself direct, and collect the fees, and have your deputies paid in a regular way, the same as other employes of the state government? Don't you think that would be an improvement?
- Mr. Barron: Yes sir.
- Mr. Lord: Why don't you follow a better office practice so that you would have a check on these receipts?
- Mr. Barron: The law does not allow it.
- Mr. Lord: It gives you authority to have a check on your men.
- Mr. Barron: The system used now is the one that the law outlines.
- Mr. Lord: Nothing in the law prevents you from making a report?
- Mr. Barron: No.
- Mr. Lord: Nothing in the law to prevent your making your men report all receipts, is there?
- Mr. Barron: No.
- Mr. Lord: Nothing in the law to prevent your billing these companies direct, is there?

Mr. Barron: No.

Mr. Lord: Would it not be good business practice to do that?

Mr. Barron: Why, I can't see any advantage in that.

Mr. Lord: It pays as a general business proposition to keep check on men who are making expenditures and collecting money for the state, doesn't it?

Mr. Barron: Yes.

Mr. O'Brien: What district was this uninspected oil distributed in?

Mr. Barron: I couldn't tell you because I haven't the records with me. I think there was a car in the Traverse City district.

Mr. O'Brien: Do you know of any accidents or fires caused from explosions in that district?

Mr. Barron: The record would show; I don't remember any.

Mr. O'Brien: Is that the only district?

Mr. Barron: No, there were two districts.

Mr. O'Brien: Was there one in 1917?

Mr. Barron: Two in 1916.

Mr. O'Brien: The fees were \$47.00. How many gallons of oil would that indicate?

Mr. Barron: Two tanks.

NOTE.—A count of the holidays in 1916 shows that there were fifty-two Sundays and nine holidays which, with the 304 days the oil inspector charged for red can inspections during the year, makes a total of 365 days for the year.

STATE BOARD OF HEALTH

Mr. Lord: Doctor, you are the Secretary of the State Board of Health?

Dr. Olin: Yes, sir.

Mr. Lord: Will you state to the commission, as briefly as possible, the various activities of the State Board of Health, what you do, what you have done, and what you hope to accomplish in the future?

Dr. Olin: All of the communicable diseases are reported by the physicians throughout the state to this department. Those reports come in on blanks furnished by the department. The physician reports to the local health officer and the health officer reports to us. As those come in they are recorded in books kept for that purpose, giving name and address of patient—diseases are kept separate—the date they were taken sick, and their determination, whether by death or recovery. Those books, at the end of each year, are compiled by our statistician and, of course, all errors in diagnosis are followed up; also where there are four or five cases in a community, we immediately correspond with the physician and health officers in that community with the idea of rendering any assistance possible in checking disease. Every morning, the clerk that gets these reports for the day before, makes a slip of the number having each disease, with the location, and then the stenographer in the next office brings those in and puts tacks in the map for each case. Where there are an unusual number of cases appearing on that map, I immediately get into communication with the health officer and find out if there is anything we can do to assist in checking the epidemic. We have, under the Medical Inspection Act, the power of sending any

physician whom we choose to any locality to instruct and assist in diagnosing the case, and in other ways, in order to check the spread of disease. If we find it is advisable, we send a doctor who has had special training along that particular line to the locality to give the local physician his advice and help. Down at St. Clair, there is an old doctor by the name of Smith, who knows smallpox, I believe, better than any other doctor in Michigan. We use him whenever we can because experience has taught us that if he is sent to a locality where smallpox is spreading, the epidemic soon dies out. We also have a young fellow by the name of Goodwin over at Bay City. We try to send him wherever there is a jangle going on, because he is peculiarly fitted to take care of it and straighten the matter out. We send these men out to assist in the checking of disease or enforcing quarantine and things of that kind.

In the Laboratory Division we analyze water samples.

At present we are making one exclusive study of a beverage, some sort of a substitute for beer.

There were 1,129 different analyses made in the laboratory from November 1st to November 20th. All public health work is done free of charge but when a doctor sends something in for personal benefit or the benefit of his patient, we charge for that, just enough to cover actual expenses.

The Engineering Department has furnished for your use, if you care for it, a report of its last year's work that will outline their work better than I can.

Then, because of the multiplicity of accounts that we have to take care of (we have seven different appropriations), we have to keep an Auditor and he is busy most of the time.

Mr. Lord: Who makes requests for those various appropriations? Does the Board of Health?

Dr. Olin: Yes, sir. From time to time as the department has grown they have added these different departments and an appropriation has been added to cover the expenses of same.

Mr. Lord: Have you any standing appropriation? That is, was there ever a bill appropriating the same amount of money for each year of a five-year period?

Dr. Olin: Fifteen thousand dollars is appropriated for running our main office. I think the statement covers that. The report that we have given you, I believe, covers all the financial work of the department. I might say that every month I ask our Auditor for a report like this, (report shown) which shows the condition this month as compared with the same month a year ago.

Mr. Lord: Will you tell us what the general powers of the board are over public health matters in the state? What are your general powers in the nature of regulation, prevention of disease, etc.?

Dr. Olin. We have the power, for instance, to designate any disease as a dangerous communicable disease, and have absolute control over that disease. We require the physician to report that disease to us and we can take care of it as the board rules. We can make our own rules and regulations under the law.

Mr. Lord: Have you the power to inspect food, water, etc.?

Dr. Olin: Not food, that is under the Dairy and Food Commissioner. We have nothing whatever to do with that. We have the right to condemn any water supply.

Mr. Lord: Do you make inspections of water supplies?

Dr. Olin: We make, or are supposed to make, semi-annual inspections of every water supply in the state.

Mr. Lord: Who are these inspections made by?

Dr. Olin: By the Sanitary Engineer.

Mr. Lord: How does he do that, by going there?

Dr. Olin: He either goes there or sends an assistant. We are supposed to have a report from every treatment plant in the state.

Mr. Lord: If you find anything wrong, what powers have you to take care of it?

Dr. Olin: We have the power to condemn the supply and make them correct the error.

Mr. Lord: How many inspectors do you have out in the state?

Dr. Olin: We have at the present time only one regularly paid inspector. You understand, Mr. Lord, we can call them at any time we need them. They are physicians of experience along certain lines and the law allows us to pay them \$10.00 a day and their actual expenses. Another thing, the law provides for a Sanitary Engineer, but it does not allow for any assistants. Those are employed under the Medical Inspection Act.

Mr. Lord: What was the total number of inspections of various classes made last year and what was the cost?

Dr. Olin: I believe Doctor Rich can tell you about that.

Mr. Lord: Doctor Rich, you are the Sanitary Engineer of the State Board of Health?

Dr. Rich: Yes, sir.

Mr. Lord: Can you tell the commission about how many inspections of water you made last year and about how much it cost?

Dr. Rich: I have not that at hand, but it can be worked out.

Mr. Lord: Can you tell approximately how many inspections you made?

Dr. Rich: No, that would be a hard matter. For instance, we were in the city of Saginaw in January or February. We must have worked there three months, testing water all the time. At that time we undoubtedly got a large number of samples, and again we might have gone to another town and only got one sample.

Mr. Lord: You were inspecting well water in Saginaw?

Dr. Rich: Yes; the water of Saginaw is furnished by means of wells on the corners.

Mr. Lord: What does your examination of the water consist of?

Dr. Rich: Bacteriological examination, according to the United States Public Health Association standards.

Mr. Lord: What do you do in case you find anything wrong in any of the wells?

Dr. Rich: Report it to the State Board of Health for action.

Mr. Lord: Has the Board of Health authority to condemn the water?

Dr. Rich: I think so.

Mr. Lord: What methods do you follow when the water has been con-

demned? Do you have any difficulty in compelling the owners of the wells to discontinue the use of the water?

Dr. Rich: We surely do. We have often had to take the handle off the pump. It is pretty hard to convince the ordinary citizen that the water in his well is not fit for use.

Dr. Olin: We have made approximately one hundred medical inspections during this year.

Mr. Lord: Inspections of epidemics in a town or of some one person afflicted with disease?

Dr. Olin: Either one. If there was a dispute as to the disease or an epidemic in the town, we would send a man in either case.

Mr. Lord: Do you have any authority over the matter of sewerage?

Dr. Rich: That comes under the Sanitary Engineer.

Mr. Lord: What have you done to regulate sewerage during the last year? For instance, in the city of Detroit?

Dr. Rich: I went over the complete scheme that has been worked out in Detroit with Mr. Hubbel this spring. We have been in close touch with it for some time and some of the designing for main trunk sewers has been worked out according to our suggestions.

Mr. Lord: Do you have to approve their plans?

Dr. Rich: Sixty days after they are built.

Mr. Lord: What do you do if sewers are built which do not conform to your rules?

Dr. Rich: It is a question as to how far the law allows us to go. We think we have full authority to enforce the law, but are not quite sure.

Mr. Lord: Does this affect municipalities and country districts also?

Dr. Rich: It does not affect country districts at all, just the municipalities.

Mr. Lord: What was the total cost of the Engineering Department, or division, of the State Board of Health last year?

Dr. Rich: We will have an annual report here in just a minute which will give you all that. We will furnish you a copy of that report, if you desire.

Mr. Lord: Do you run up against any conflict of authority with local officers in your work or do they co-operate with you pretty well?

Dr. Rich: They co-operate pretty well when they get what we are driving at.

Mr. Lord: What do you do in case of typhoid, for instance? Do you give directions to local health authorities, or how is this handled?

Dr. Rich: The typhoid examination begins with a thorough study of all cases and then we see how those things compare, and after a while we are able to find the proper cause. As soon as we find the cause we are in a position to lay that before the local authorities, and, if the trouble is not already remedied, we can take proper steps to remedy it. Oftentimes the trouble has been remedied. If the cause has not been remedied, we advise them what to do to eliminate it. If it should happen to be a matter of public water supply, and they refuse to do anything, we take steps to condemn the water.

Mr. Lord: Do you find, in the different localities, competent health officers?

Dr. Rich: No, sir, we don't. Of course, sometimes we do.

Mr. Lord: What is the trouble?

Dr. Rich: Chiefly pay; \$25.00 a year isn't a great deal of money, and it don't give them much ambition to look after the work.

Dr. Olin: Most of these cases are in country districts, where they appoint some farmer or supervisor, or somebody with nothing else to do, as the health officer, and the result is a great deal of incompetency on the part of the health officer. If they were compelled to appoint a competent health officer, we could handle it better.

Mr. Thompson: As I analyze the public health work, it is to prevent all infection and communicable disease. To that end, you first make your rules; second, you provide methods for making diagnosis and reports; then you take up the matter of quarantine and prevention, and the laboratory work. Then comes the other phase of work which is under the control of Doctor Rich, the sanitary engineer.

Mr. Lord: What publication do you get out, Dr. Olin?

Dr. Olin: We publish a monthly bulletin which is descriptive of things going on along different lines of interest to the layman, but not in a technical way. Last month, our mailing list was something around twenty thousand, but on the back of the bulletin that is coming out now, we have put a statement, asking that they fill it out and return to us if they desire to receive these bulletins. I expect to cut our mailing list in two. These bulletins are used for school work. They use them in the teaching of hygiene, good health work, etc. In that journal the vital statistics or the disease rate for the month is shown and contains our report for the month. I understand that the vital statistics division of the Secretary of State's office gets out something similar to that.

Mr. Lord: Do you cover all the vital statistics?

Dr. Olin: Yes, sir, we state everything that is reported to this office.

Mr. Lord: How often do you collect the information?

Dr. Olin: Every day; in fact, every mail. We make a compilation and publish it in tabulated form in our annual report.

Mr. Lord: It is practically a duplication of what the Secretary of State issues, is it?

Dr. Olin: It would be if they agreed.

Mr. Lord: What is the object of two departments collecting and publishing the same information?

Dr. Olin: We have to use that information in keeping track of epidemics. The Secretary of State's office gives purely vital statistics just as they occur. We show different methods of control of diseases.

Mr. Lord: You gather this yourself and classify it?

Dr. Olin: Yes, sir.

Mr. Thompson: You cover every phase of the things that the reports of the Secretary of State cover?

Dr. Olin: Except births and marriages. We get the deaths from them. Now, there is a situation here that I think is wrong. We get death reports from them and, for instance, last week our statistician got out a lengthy table and it did not prove to be correct. Our statistician went over to the Secretary of State's office and they said they had forgotten to send in twenty or thirty reports last week.

- Mr. Lord: Couldn't the Vital Statistics' Department be under the State Board of Health?
- Dr. Olin: I see no reason why it could not. As I told you, we have been held up in getting out our annual reports on account of the vital statistical division of the Secretary of State's Department not being able to agree with the United States Government on classification.
- Mr. Thompson: What, in your judgment, should be the ideal conditions in this office; the ideal plan of operation from a point of view of the whole state, and its activities in public health matters?
- Dr. Olin: In my opinion, the laws should be re-vamped in such a way that we would have a single appropriation. As the appropriations are made now, every appropriation covers a different phase of our work. If a single appropriation was made to the State Board of Health to carry on all its activities, then in case one department should have some peculiar thing come up; for instance, some large epidemic appearing, or something like that, we could, in our discretion, use this money where we would get the best results; and by doing this could use the funds so appropriated to better advantage and do better work in the department. Some of our expenses are increasing right along. For instance, two years ago we could hire bacteriologists and chemists in our laboratory for a great deal less money than we can today because all those fellows have gone to the front.
- Mr. Lord: Of course those are abnormal conditions. I have always thought that the Vital Statistics Division should be under the Board of Health. They have somewhere around twenty or twenty-five clerks and the average salary would be \$1,000.00 a year for each clerk, leaving out the chief of the division who gets \$1,500.00. That would make it run from twenty to twenty-five thousand dollars a year for salaries and postage expenses. Then, they send out approximately 9,000 of their Vital Statistics Bulletins every month, and besides they have a large correspondence, sending out for corrections of reports, etc. The total cost of that division is not less than \$30,000 a year, in my opinion. Now, can you tell us just about how much you think the same work could be done for in this department? That is, in addition to what the cost of this department is now. If the Vital Statistics Division was placed in the Board of Health Department, what saving could be made to the taxpayers of the state and of what additional benefit would it be to the people of the state?
- Dr. Olin: That is pretty hard to say.
- Mr. Thompson: What additional expense would it be to your department?
- Dr. Olin: What is the cost of the publishing of their bulletin?
- Mr. Lord: We have a record of that at the office.
- Dr. Olin: Well, the cost of it would be largely eliminated. It would simply add in this department the necessity of a sufficient number of clerks to handle that work. What that would be, I don't know exactly.
- Mr. Lord: What information do they get now that you don't receive? It is very important that we know this as we may make a recommendation in regard to it.

- Mr. Thompson: Undoubtedly it would be a saving in at least half of the amount spent to carry on the Vital Statistics Department as it now is.
- Dr. Olin: If I could see what it is costing them to run it at this time, I could easily tell you.
- Mr. Lord: Not less than \$30,000.00.
- Dr. Olin: How much of that is for publications?
- Mr. Lord: That bulletin is all they publish. The cost of that is not so very much. Do you send to the same mailing list?
- Dr. Olin: We possibly cover at least a part of the same report, and we have practically the same information.
- Mr. Lord: That part of it would be entirely eliminated.
- Dr. Olin: You could absolutely eliminate the cost of their publication including postage. We might have to add a few more names to our mailing list.
- Dr. Olin: To me, the key-note of this department is that every day that we let a man suffer from a communicable disease, or a life is lost from such a disease, it is an economic loss somewhere.
- Mr. Lord: Dr. Olin, these financial statements show the amounts disbursed from your \$15,000.00 appropriation. What is the amount you draw from the general fund in addition to that?
- Dr. Olin: The medical inspection fund is the only additional fund we draw from.
- Mr. Lord: What I want to get at is the total cost of the entire department for the last year.
- Dr. Olin: \$57,938.68 is the total cost for everything during the fiscal year ending June 30th, 1917.
- Mr. Lord: Now then, Doctor, what additional activities, if any, do you propose to engage in in the future? Have you anything at all in mind?
- Dr. Olin: Well, there will of necessity be an increase of the activities in the department, along the venereal line.
- Mr. Lord: Is that going to cost very much?
- Dr. Olin: The greatest amount of cost is coming during the first few months. The War Board is taking care of that.
- Mr. Lord: The War Board is going to meet that expense?
- Dr. Olin: Yes, except the doctor's services, which come under the medical inspection act, and what traveling I do personally will come under that act.
- Dr. Rich: Also along the line of additional activities, the last legislature passed an act, requiring an examination of all the streams in the state with reference to the pollution of same. The Public Domain Commission is to report these matters, the Attorney General to co-operate with them, and the Board of Health to furnish the engineering services.
- Mr. Lord: Has the Public Domain Commission made any effort to carry out the provisions of that law?
- Dr. Rich: I don't think so. I was talking with Mr. Carton about this matter; how to go at it; how much it would cost, etc., and it was left to Mr. Oates and myself to make the canvass and report to the Board of Auditors as to how much it would cost.
- Mr. Lord: Have you ever made this report?

Dr. Rich: No, sir.

Mr. Lord: This is undoubtedly why the Public Domain Commission has not taken any action on the matter. Can you tell us how much the cost would be?

Dr. Rich: The cost would be unlimited to carry it out as the act now stands, \$200,000 or more. I think, however, we can get at it without any such expense as that. We have information in the office now, enough to enable us to draw our conclusions and make recommendation to the legislature.

Mr. Lord: Doctor Olin, what examining boards do you have under this department?

Dr. Olin: Nothing but the Embalmers' Board.

Mr. Lord: Tell us very briefly about that licensing board for embalmers. How often do they hold examinations?

Dr. Olin: Twice a year.

Mr. Lord: Why should embalmers be licensed?

Dr. Olin: The law requires them to have eighth grade certificates from the public school, and certain knowledge in Anatomy and Physiology.

Mr. Thompson: What other examining boards in your judgment ought to be consolidated with this department?

Dr. Olin: That is a question that I don't know. There is a board that I am a member of, by virtue of my being Secretary of the State Board of Health, the Board of Registration of Nurses. Personally, I do not think much of this board. They are raising the standard of nurses right along. It is their idea that no nurses can be licensed to practice nursing in the State of Michigan unless they are graduates of a high school. This nurses' board is a sore spot in my side. I would like very much if I could be relieved from acting on this board.

Mr. Lord: Who are the members of the board?

Dr. Olin: Dr. Peterson, who has been in charge of the hospital at Ann Arbor, and three women. These women are all, with the exception of one, connected with some training school for the graduation of nurses. If you were at the head of a training school with a board in back of you passing on these examinations, it would be pretty hard to be unbiased. It is a fight to see which school shall be represented on the board most of the time.

Mr. Thompson: The same thing would exist as to medical schools and the Board of Registration in Medicine.

Dr. Olin: The law covering the Board of Registration in Medicine reads that no member of said board shall belong to the faculty of any medical college or university. And the Board of Registration of Nurses should be the same way. No one connected with any training school for nurses should be on that board.

Mr. Thompson: Should nurses be examined and registered?

Dr. Olin: I don't think it is of much importance.

Mr. Thompson: How about pharmacists?

Dr. Olin: They should be examined.

Mr. Thompson: Should that class of board examination be conducted under the auspices of the State Board of Health?

Dr. Olin: I would hardly want to say.

Mr. Thompson: To put it briefly, would it not be wise to have the medical examinations, examinations as to optometry, dentistry, medi-

cine, registration of nurses, barbers and embalmers, all carried on by the State Board of Health?

Dr. Olin: It would be a great saving of expense and it would be done just as efficiently.

Mr. Thompson: What other activities should be licensed?

Dr. Olin: The food dealers, particularly restaurant and hotel help handling food.

Mr. Thompson: These should be passed upon to what extent; in what way and how often?

Dr. Olin: Either semi-annually or annually for the assistance in prevention of tubercular and venereal diseases. A board could be formed, consisting of the Dairy and Food Commissioner, Commissioner of Labor, Secretary of the Board of Health, and the Pure Food Inspector. They could have police powers over this class of business, and could enforce the law with no added cost to the state.

Mr. Lord: Can you think of anything else that should be covered by examination for licenses?

Dr. Olin: I don't, just at this time.

Mr. Thompson: Then, as I understand the reason of these examinations, it is to protect the public and raise the standard.

Dr. Olin: Yes, I believe also that barbers should be under this board more than any of the rest. There isn't any class that scatters disease like barbers.

Mr. Thompson: Is there any way that a central laboratory might be worked out, for yourself and for the pure food department?

Dr. Olin: I believe there should be a laboratory for the Pure Food Department, Sanitary Live Stock Commission, and the State Board of Health. One state laboratory for the different departments to include the bacteriological work, medical work, etc. It could all be done in the same laboratory.

Mr. Lord: What is the idea of having two state laboratories for the Board of Health, one here and one at Houghton?

Dr. Olin: Well, as a matter of convenience and protection. A swab comes in from a diphtheria case and they want a report on it in a very few hours. The efficiency of one of these laboratories depends on the quickness of the work, and by having a laboratory in the Upper Peninsula we can attend to these matters within a short length of time. I have a great many complaints saying that they don't get their report in the length of time that they think they should. For this reason, I have just placed here in the office a book where everything is registered when it arrives and the clerk can tell when it should be reported out, and it is up to her not to let me catch any of those things not reported at the proper time. This morning I found a sample that I thought should have been reported out yesterday, but on investigation I found that it was a doubtful case and that they wanted to make another slide of it.

Mr. Thompson: Do you think of any other activities that should be centered in this department?

Dr. Olin: No, I don't think of any other.

Mr. Thompson: With your present facilities, what would be the cost per individual if your department was to furnish the required treatment, if it should be furnished, to the inmates in the prisons?

- Dr. Olin: That is very hard to tell just now. We have received notice that the German patents have been put out of use and that the government has issued permits to certain companies here to manufacture these drugs.
- Mr. Thompson: Are those treatments so that they could be prepared in your laboratory?
- Dr. Olin: Yes, I think so.
- Mr. Thompson: With a central laboratory it would mean a considerable saving to the people of the state.
- Dr. Olin: There is another situation that could be made a great saving to the people over all the state; the antitoxin for diphtheria has been made by one-half dozen different companies until just recently. The United States Government has now taken it over and are establishing a standard. The local health departments furnish in many cases, and should in every case, antitoxin and vaccination to the delinquents, to the poor of the district. The charge for those things has depended upon the part of the state in which it is used, their accessibility to the city, etc.
- Mr. Lord: Who does your laboratory work now?
- Dr. Olin: Dr. Spoor.
- Mr. Thompson: What line of procedure, as to prevention of disease, particularly relative to vaccination, etc., would reduce and possibly eliminate any public disease we now have?
- Dr. Olin: If we could furnish and compel vaccination as they do in Germany, it would wipe out smallpox in a very short time.
- Mr. Lord: Getting back to the matter of transferring other boards, etc., to the State Board of Health; what do you think of the proposition of transferring the Board of Registration in Medicine?
- Dr. Olin: That is done in other states.
- Mr. Lord: The Board of Examination of Osteopaths?
- Dr. Olin: I don't know about that.
- Mr. Thompson: Presumably it should be.
- Dr. Olin: I think it should.
- Mr. Lord: Under the law, do they have to have some knowledge of medicine?
- Dr. Olin: Yes, they should have a good knowledge of anatomy at least.
- Mr. Lord: It seems to me that all matters relating to public health should be under one board. Don't you think that is true? Don't you think that these matters could all be handled by your board?
- Dr. Olin: Yes, I think that is true. We have some excellent men on this board.
- Mr. Lord: There are so many boards connected with the public health question that the average citizen doesn't know to whom to go for information.
- Dr. Olin: If these boards could be centralized and a little something paid each man so he could afford to leave his practice, it would be more satisfactory.

STATE TAX COMMISSION

Mr. Lord: Mr. Benton, you are a member of the State Board of Tax Commissioners?

Mr. Benton: I am.

Mr. Lord: Will you state to the Budget Commission what the various activities of the Tax Commission are, what you do, what you have accomplished, and what you propose to do?

Mr. Benton: Well, now, gentlemen, you perhaps will appreciate the fact that this is my first year, and I can only speak for what has happened during the past year. We have made reviews in various counties:

Baraga County: Special review of property of Sturgeon River Land and Development Company in the townships of Baraga, Covington and L'Anse.

Chippewa County: Work in charge of Mr. Snody. Reviews held in all districts except Dafter, Detour and Trout Lake townships.

Leclanau County: Work in charge of Mr. Baker. Reviews held for all districts except Centerville, Solon and Suttons Bay.

Lenaawee County: Work in charge of Mr. Hatch. Reviews held for all districts except Hudson City.

Mackinac County: Work in charge of Mr. Snody. Reviews held for all districts except Garfield, Hudson and Marquette townships.

Menominee County: Work in charge of Mr. Snody. Review for Nadeau township only.

Roscommon County: Work in charge of Mr. Barrett. Review for Nester township only.

Schoolcraft County: Work in charge of Mr. Snody. A regular review was held for Thompson township and a special review on property of Blaney and Southern Railway Company in Mueller township, and of White Marble Lime Company in Doyle township, which had been omitted from the assessment rolls.

Washtenaw County: Work in charge of Mr. Thorington. Reviews held for all districts. A special review was also held at Ypsilanti to correct valuations of bank stock.

Wayne County: Work in charge of Mr. Harris. Reviews held for all districts except Detroit City proper, which was held last year. A special review was also held in the city of Detroit on special properties.

Mr. Lord: You say that in Schoolcraft county, some property had been omitted from the roll entirely; for how long?

Mr. Benton: I would have to ask Mr. Burtless.

Mr. Burtless: I think just this roll. It was property of the Marble Lime Company and they had no property in previous years.

Mr. Benton: In addition to what I have already outlined, we have, or are now at work on the following counties:

Alger County: Work in charge of Mr. Snody. Farm lands completed. Timber examinations now being made.

Clare County: Work in charge of Mr. Thorington. Now in progress.

Benzie County: Work in charge of Mr. Hatch. Now in progress.

Isabella County: Work in charge of Mr. Thorington. Now in progress.

Lapeer County: Work in charge of Mr. Hatch. Now in progress.
Midland County: Work in charge of Mr. Twiss. Now in progress.
Manistee and Mason Counties: Work in charge of Mr. Harris. Now in progress.

Luce County: Field books were made in the spring. No examinations made.

Grand Traverse County: Work in charge of Mr. Barrett and completed. Tax Commission figures adopted by the supervisors.

Iron County: Work in charge of Mr. Harris. Examinations made of the city of Crystal Falls and the township of Iron River.

Wexford County: Work in charge of Mr. Jaehnig. Making field books.

Mecosta County: Work in charge of Mr. Phillips. Making field books.

Ontonagon County: Work in charge of Mr. Barry. Making field books.

Mr. Lord: In addition to holding reviews, etc., what other activities do the Tax Commission have?

Mr. Benton: Well, we meet with the Supervisors. We have made an effort, and it is my intention, and I think the other members will agree with me, to meet as many of the different boards of supervisors as possible, and we are also contemplating the taking up and holding of county conferences, in order to get back to the taxpayers themselves. Have a conference with the taxpayer's or the assessing officer and explain the object of our commission; what benefits are to be derived, etc. We find that a great majority of the assessing officers of Michigan are familiar with our work and agreeable to it, but the people whom they represent are not in position to know very much about it, the Supervisor has to be, or is, in a great many instances, guided by what his constituents want, whether it is right or wrong.

Our idea is to get to the taxpayers and explain to them, and thereby relieve the assessing officers of a lot of that responsibility.

Mr. Lord: What have you done by way of covering the state in the matter of reviews? How nearly are you through?

Mr. Benton: Ten counties, or a few more, that have not been completed, around fifteen, I guess, isn't it Fred?

Mr. Burtless: Only ten that have not been at some time reviewed by the Tax Commission.

Mr. Lord: What force will you require after you have completed the reviews of the remaining ten counties?

Mr. Benton: Now, gentlemen, this is my own idea; I think that twenty men will take care of all the work of this state. Have less in number and, with the aid of the Supervisor, I am of the opinion that at no time will we require more than twenty field men.

Mr. Lord: How many have you now?

Mr. Benton: About fifty; forty-nine at present.

Mr. Lord: How long do you expect it to take to complete the reviews of the state?

Mr. Benton: It is our intention to finish the state this year.

Mr. Lord: After that you think that twenty men will about cover the field?

Mr. Benton: That is my idea.

Mr. Lord: Have you talked with the other commissioners about that?

Mr. Benton: Not to any great extent.

Mr. Lord: What will your men have to do after the reviews are over?

Mr. Benton: My idea would be to have the men make investigations to see that the assessments had been kept up in accordance with the provisions of law, and where it was found that the Supervisor had attempted to fall back to the old way of assessing, the commission would take it up. By a process of reasoning and teaching they could do the work themselves and do it properly.

I want to say that the work that we contemplate doing, getting into the various counties and talking with taxpayers and assessing officers together, to my mind is going to relieve the situation greatly. I am firmly of the opinion that as soon as we can educate the people to the justice of this proposition, so that they understand and know definitely that they are fairly and honestly treated, that a large amount of this trouble will be obviated; also a large amount of expense. This work is going to lend us a great amount of aid. When you go out and put a few hundred million dollars on the tax rolls, and make no reduction of tax rate, it is pretty hard to explain to the people the great amount of good done.

Mr. Lord: Would that not mean a cutting down of your office force?

Mr. Burtless: Not very much. Our office work continues about the same. Our office force is not very large, anyway.

Mr. Lord: What do you do in the matter of assisting the State Board of Equalization?

Mr. Benton: That is a matter that I have as yet had no part in. I understand that by law we are supposed to gather data to submit to the State Board of Equalization, showing the value of each and every one of the counties of the state.

Mr. Burtless: That has been done.

Mr. Lord: What disposition, or in other words, how has the State Board of Equalization treated that data in the matter of equalizing counties?

Mr. Burtless: Up to this time it has not accepted the figures as recommended by the State Tax Commission. They have placed the figures at what they determined was the real valuation, raising some and lowering others.

Mr. Lord: What, in the opinion of the Tax Commission, is the remedy for that condition? Where the state spends a large amount of money for arriving at the valuation for the express purpose of bringing about correct equalization; what is the remedy?

Mr. Benton: If our work is of the standard it should be, there certainly is no reason why it should not be accepted. We are in a position to know definitely, and we ought to be in position to know better than the State Board of Equalization, to some degree of certainty, the actual valuation of the different counties.

Mr. Lord: The State Board of Equalization has always, practically, ignored the figures turned in by the Tax Commission. What should be done to remedy that condition? Would you favor the abolishment of the State Board of Equalization and substituting something else, a modification of the present plan or system?

Mr. Benton: That is rather a delicate question.

Mr. Lord: This commission would like to know. We would like to get that information from people who know best.

Mr. Benton: As one member of the commission, I should feel that it would be up to us to see to it that each and every county was assessed correctly, and if assessed correctly it is automatically equalized, and, therefore, it would need no further equalization on the part of any board.

Mr. Lord: Then your idea is that the State Board of Equalization could be abolished, if every county is assessed at cash value?

Mr. Benton: Absolutely. Every county would be assessed at cash value. I apprehend that that will be so, approximately so. You could not get it to a dollar, but nearer than ever before.

Mr. Lord: You understand that, under the constitution, there has got to be an equalization; would it not be a very simple matter for the State Tax Commission to fix the equalized value?

Mr. Benton: That is my idea; that if the State Board of Equalization is abolished, it be referred to this board to do that.

Mr. Lord: What do you do in the matter of complaints from the various townships on county equalization?

Mr. Benton: Well, we investigate it and, if we feel that the complaint is a just one, we go there and make an investigation and make the equalization. During the past year, we had no occasion to do that. Two started out to make complaints and withdrew them.

Mr. Lord: That is done at the expense of the taxpayers of the whole state. For instance, a complaint in Ingham county is made, you go and make an investigation which costs some money, and that is spread on the tax rolls of the state at large, is it not?

Mr. Benton: I am inclined to tell you that that is true, but I think it is wrong. I think where there is an appeal taken that the township taking the appeal should bear the expense, if the appeal is not sustained.

Mr. Burtless: There is a provision in the law, I believe, that if the appeal is not sustained by the tax commission, the expenses are to be borne by the township making the complaint. That has been construed to refer only to the expense of calling together the Board of Supervisors, and there never has been any charge to the county or townships for the work of the commission.

Mr. Lord: What are the real benefits to the people of the state from your reviews and equalizations; to what extent do the people of the state reap any benefit along those lines?

Mr. Kearney: It brings about a more equitable adjustment of the tax levy.

Mr. Benton: Between individuals and between districts.

Mr. Lord: Of what benefit, to your knowledge, has the work been that you have been doing in connection with the state equalization?

Mr. Kearney: Why, of course, the State Board of Equalization, without the data gathered for them by the Tax Commission, would be almost useless in making an equalization. They could not equalize the state as they would have no means of knowing the value of the various counties of the state. Of course, I know how they did do that prior to the date the Tax Commission was required to furnish

this information; representatives of the several counties came before them and they made their claims or statements, and from that the State Board of Equalization made up the state equalization. Now, from the knowledge that I have, and we all have, we know that the information, or rather their equalization, was not based upon any knowledge that they could possibly have had of the various counties.

Mr. Lord: On the other hand, how closely have they followed your figures?

Mr. Kearney: Except in a few instances they have followed our recommendations. I know that two years ago, in 1914 it was, that I was present during all the sessions. While I am not a member of that board, I was present at that time and I think there were only a few counties that were changed from our recommendations. Members from the different counties came up and all consented to our figures, and said they were satisfactory, but that if any change was made they wanted to be considered. If our figures were adopted as a whole, they were perfectly satisfied, excepting in Wayne, St. Clair and in Lenawee. There was \$1,000,000.00 taken from Lenawee, and a few small changes, don't recall the amount; from Wayne county about \$85,000,000.00, and I think they took \$5,000,000.00 off from St. Clair.

Mr. Lord: In several cases they have practically ignored the Tax Commission and followed the recommendations of the representatives from the counties. What would be your remedy for that?

Mr. Kearney: I believe it will remedy itself. The only way it could be prevented, if it does not, is to have the three members of the Tax Commission have a vote upon the State Board of Equalization, or have them members of that board.

Mr. Lord: Will one of you gentlemen give us information about your work as the State Board of Assessors?

Mr. Kearney: The law requires that the State Tax Commission shall act as the State Board of Assessors. I think it was in April, 1900, about that time, that the railroads, telephone and telegraph companies, and other companies paying specific tax, were put upon an advalorem basis, and required to pay taxes on their true cash value at the average rate of taxation, for all purposes except special taxes; and the State Board of Assessors was created at that time by making the Tax Commission the Board of Assessors. In the first instance, the valuation was made of the railroads and these other companies, and then, every year since, they have been gone over and checked up. They are required to report upon blanks we furnish them; and prior to the amendment of the law by the last session of the legislature, those blanks had to be in, and what we call a tentative assessment had to be ready on January 15th, and then we held a review. Notice was served upon all these corporations of the amount of their assessments and then we sit as a Board of Review and all those that cared to come in and object to their assessments could do so and we gave them a hearing. If we thought that they were entitled to changes, we made them. The assessments had to be completed on the 15th of February and the roll in the hands of the Auditor General the first of March. I think it has been changed now to the 15th of February that these reports have to be in, and the

roll in the hands of the Auditor General on the first of June, with all those proceedings between. The average rate, of course, is obtained by requiring reports from every supervisor and assessor in the state—some sixteen hundred. Those reports show the total amount of the assessed value of all the property in every assessing district; show all the taxes paid for state, county, schools, city, all except special taxes, and then adding all reports up, dividing the amount of taxes by the total assessed value, the average rate is obtainable, and that is the rate these corporations shall pay. These taxes so collected from them are turned over to the Primary School Fund.

Mr. Lord: What classes of corporations come under this law?

Mr. Kearney: Railroads, telephone, telegraph, fast freight companies, express companies, sleeping car companies, etc.

Mr. Lord: How many of them do you have to assess altogether?

Mr. Kearney: I don't know, something like five or six hundred.

Mr. Burtless: In the neighborhood of five hundred companies actually assessed; we are required to get reports from about two thousand.

Mr. Kearney: There are about twelve hundred telephone companies that we don't assess, as we don't assess telephone companies under the law unless their income is \$500.00 a year.

Mr. Lord: How long a time do you have in which to make the assessment?

Mr. Kearney: The reports are in on the 15th of February now; we have between that time and the first of June, when the roll has to be in the hands of the Auditor General.

Mr. Lord: Do you think that is sufficient time to give it proper attention and consideration?

Mr. Kearney: I do.

Mr. Lord: That is because all the data is gathered, examined and passed on before that by your secretary and office force?

Mr. Kearney: Yes. We have thought that a re-valuation of railroads should be made.

Mr. Lord: What is the basic valuation that you follow in making your assessments?

Mr. Kearney: Cooley-Adams appraisal in 1900; then, that has been checked up by Mr. Parker, but no late valuation has been made since that time.

Mr. Burtless: The first appraisal was made after actual inspection and examination of physical property; after that no examination was made.

Mr. Lord: What would be your plans in making a re-valuation of the railroads?

Mr. Kearney: I have never attempted to lay out a plan.

Mr. Benton: I couldn't give you any definite idea. It is a problem that would take quite a lot of thought.

Mr. Lord: Have you talked it over among yourselves in meetings of the commission that such a thing ought to be done and have you decided to make any recommendations in regard to it?

Mr. Kearney: We have talked it over in a general way, but have never come to any decision in the matter.

Mr. Lord: Don't you know what the cost would be?

Mr. Kearney: Have no idea.

Mr. Lord: Is it your idea that the valuation of railroads would be increased under such appraisal, or would it be a more equitable adjustment?

Mr. Kearney: I think there would be a more equitable adjustment and unquestionably the valuations would be increased.

Mr. Burtless: And the Tax Commission would have a more recent basic valuation to work on in the future.

That work was done during the year ending June 30th, 1901, and the total cost was \$120,152.00. There was never any separate account kept of railroad appraisals. I should judge they would estimate it around \$100,000.00.

Mr. Lord: What are the primary causes of the increase in taxes and tax levies, both local and state?

Mr. Kearney: Of course, that is due to general conditions; it costs more to live now than it did fifteen years ago; labor is higher, everything you buy costs more. A dollar don't go as far as it did then. I couldn't say that there is any waste or extravagance as far as our department is concerned; we try to keep it down as low as possible.

Mr. Lord: I am speaking now of all taxes levied; not the cost of state departments, but all taxes levied.

Mr. Kearney: It applies all down the line; it costs a farmer more to live now than it did in 1900; everything he buys is higher, farm tools and everything is higher.

Mr. Lord: Isn't the primary cause, that the people look for a good deal more nowadays and spend more?

Mr. Kearney: People are not satisfied now with what they put up with a few years ago; they want recreation, automobiles, better clothes, etc.; they lose time from their work and spend more money. All those things enter into it.

Mr. Lord: It is a fact, isn't it, Mr. Kearney, that the taxes have increased at a much more rapid rate than the increased valuation?

Mr. Kearney: Yes, that's true.

Mr. Lord: And, really it is a condition that is somewhat alarming, because there is no telling where it will end.

Mr. Kearney: That's true. Of course, one of the causes possibly for the increase in taxes is due to the fact that now nearly all the taxes are paid from assessments on real estate. Even with the work we are doing, it is pretty difficult for us to get a great amount of personal estate, and the trouble is that under the law now so much is exempt. That throws the burden upon real estate.

Mr. Lord: What would be your remedy for that?

Mr. Kearney: Well, I have never quite agreed with the legislature. I believe, in fact, we should recommend that the mortgage tax be repealed, and I don't believe that all forms of bond securities should be exempt (foreign and municipal bonds are exempt and I guess nearly all are). I know that I may have been wrong, but, at the time, I opposed it in the legislature and talked with some of the members about it and also to Governor Ferris.

Mr. Lord: Your idea is that that class of security should be taxed the same as all general property?

Mr. Kearney: No, I do not think that. I think the constitution should be amended so that we could classify property. We should have a low rate of tax that these intangibles should pay, three or four mills, and I believe the people would disclose the personal property. A large amount of money would be realized and it would be no hardship upon the people that would have to pay it. No, I don't think it would be right to tax mortgages and bonds at the regular rate of taxation; that's confiscatory in many instances. If money in the bank, mortgages, bonds, etc., would pay three or four mills, I don't know how much it would bring, but it would bring a lot of money to the treasury of the state and would not be a hardship to the people.

Mr. Lord: An annual specific tax on that class of property would help out a lot, would it not?

Mr. Kearney: Yes, that would be a great improvement.

Mr. Lord: Do you make any particular efforts to get at the personal property?

Mr. Kearney: Yes, we do. We have a man for that purpose but there is so little of it. Of course, in Detroit, we get millions of it in land contracts.

Mr. Lord: What was the aggregate assessed valuation last year of all the public service corporations that you assessed?

Mr. Burtless: The total assessments made by the State Board of Assessors last year were \$271,451,500.00.

Mr. Lord: What was the aggregate amount of taxes paid on that valuation last year?

Mr. Burtless: The amount levied was \$4,628,720.91; we have no record of the amount actually paid.

Mr. Lord: How does the amount of taxes paid on the levy last year compare with former years; was it more or less?

Mr. Burtless: It was less than some of the other years.

Mr. Lord: That's by reason of lowering the average rate of taxation caused by your increasing the valuation of general properties in local communities; have you heard any criticism of that?

Mr. Kearney: I have not.

Mr. Lord: Getting back to the matter of appraisals of railroads; have you ever given any thought to a re-appraisal of all the public service corporations which you assess?

Mr. Kearney: Nothing except the railroads.

Mr. Lord: You couldn't approximate the cost of a re-appraisal of all the public service corporations?

Mr. Kearney: No, I could not. We have a pretty good check on the Bell Telephone Company; we have had several appraisals and there is their report to the Railroad Commission for bonding purposes. We have considerable information, except as to railroads. We have a telephone man employed all the time on telephone work—Mr. McCormick. So that I believe that an appraisal of the other properties that we assess as a State Board of Assessors would not be immediately necessary.

Mr. Burtless: I might say right there that a complete appraisal of all telephone companies was made under direction of the board in 1909. Mr. McCormick was engaged on that work and has been in the department ever since.

- Mr. Lord: What do you think of the proposition of creating an office of State Engineer who would work under the supervision of the Railroad and Tax Commissions; who would have charge of re-appraisals?
- Mr. Kearney: I have never heard it spoken of before.
- Mr. Lord: Would it save any money in the matter of re-appraisals?
- Mr. Kearney: Yes, because if you had a man big enough to do that work, he could do it cheaper undoubtedly than to employ men like Mr. Cooley or Mr. Adams.
- Mr. Lord: That question came up in connection with the survey we made at the Railroad Commission offices. We ascertained that a very large amount of money had been paid out in the last few years for appraisals of public service corporations.
- Mr. Kearney: Yes, I presume that that is constantly before the Railroad Commission.
- Mr. Lord: Do you ever use any of those appraisals made by Professor Cooley, and his men, either for your assessments or reviews, as a basis for your valuations?
- Mr. Kearney: We always get copies of those reports from the Railroad Commission.
- Mr. Lord: In some of those cases there has been a very large difference of opinion between various men as to actual values.
- Mr. Kearney: Yes, the reports that they make for the Railroad Commission for bonding purposes, and reports to the Tax Commission or assessors for tax purposes, differ widely.
- Mr. Lord: Mr. Kearney, after you have completed your review work, what reduction of your field force will you make, approximately?
- Mr. Kearney: We have made a big reduction now, and when our field work is once completed, we have not decided how many men we will need. I should imagine that we would not need over twelve.
- Mr. Benton: I put it at twenty.
- Mr. Kearney: I may be putting it too low. The expense of our department after next year will be very materially reduced.
- Mr. Lord: Is there any way, Mr. Kearney or Mr. Burtless, that you could increase the efficiency of your department?
- Mr. Burtless: There is no question in the world but that we could make some improvements. I think that when we come to the weeding out process we will increase our efficiency.
- Mr. Kearney: We have been very careful in selecting our field force to get only efficient men. All the men in charge of the work have been in the employ of the commission for years; some of them since it was first organized.
- Mr. Lord: Is there anything at all that you need, or can do, which would tend to increase the efficiency of your department?
- Mr. Kearney: By constant care and supervision on the part of the commissioners themselves, which we have been doing. We have not left this to the men; we have been devoting all the time to supervision of the work, so that we are familiar with the work of the men. Our foremen are men of intelligence and men of large experience in this work, and they are required to keep in constant touch with the field force under them. I sometimes marvel at the knowledge of the foremen of certain work in some counties. I held reviews over in Lenawee County last year in some twenty townships. We had a

foreman over there and, at the reviews, he worked right along with the examiners and seemed as familiar with the property as the men who actually did the work. They are all trained in that regard.

Mr. Lord: When you appoint a man on your field force, what constitutes the necessary qualifications of the applicant for the position?

Mr. Kearney: In the first place, we see him and talk to him and we can pretty nearly tell in talking to a man whether he is a competent man. We give him a verbal examination, and, if we think he is competent, we put him in as a field clerk with a good field man. If he makes good in that, he is promoted in time or, if not, he is dropped. Sometimes we have had men who claim to have had experience as supervisors in this work, and we could not use them at all, and again we have had men with no experience in that line of work until they came with the Tax Commission, who have proven themselves to be capable men.

Mr. Kearney: In the first place, we have schools for inspection. We get our men together and assign subjects to the different men to prepare papers on, and those subjects are all discussed. The commissioners themselves talk on different phases of the work. We also have a question box and if there are any questions that they care to ask, they can put them in the box, and all those questions are answered and discussed. They are also told how to appear and are given an identification card, for, when any of our men go to a taxpayer, he must introduce himself. They are not permitted to get any information in any underhanded way. They must at all times maintain themselves in a gentlemanly manner. We want them to be clean-shaven, neat and clean. We start a new man with a good field man and under a good foreman. The foreman sends in a report to us on the character of his work.

Mr. Lord: Have you a foreman in every county where you are working?

Mr. Kearney: Yes, sir.

Mr. Lord: He is constantly moving around among the men?

Mr. Kearney: Yes, and we look to him for the success of our work in that particular county.

Mr. Lord: What is the nature of the report he makes to the commission?

Mr. Kearney: In the first place, the men working in a county are required to make weekly reports to their foreman. The foreman sends those reports to the Tax Commission, with any memorandum or note upon them that he desires to make. These reports show the number of days, the number of hours they work, the number of pieces of property they examine and their expenses; show just what is done each day.

Mr. Lord: Do you have a similar report of the work done every day by your office force?

Mr. Kearney: No, that's under Mr. Burtless, our Secretary. We couldn't keep track of our men if we did not have those reports. We know what a man is doing. We know if he is cheating by the amount of work he does. We know how many pieces of property he should examine and, in a few instances, we found that they were cheating and dropped them, even if they were competent.

Mr. Lord: Are you under the graded salary law here?

- Mr. Burtless: Yes, as far as the office force and field clerks are concerned.
- Mr. Lord: Do you have any trouble to get help to start at \$800.00 a year—that is, competent help?
- Mr. Burtless: Not much, because the men that we hire, if they make good, are promoted as fast as possible.
- Mr. Lord: What do you think of a proposition to remove the minimum salary from the law and fix a maximum and an average salary, so that it would give the executive head of the department some little leeway in determining what salaries should be paid?
- Mr. Kearney: That matter was up last year and I appeared before the Senate and favored the bill to make a maximum and put it up to the different departments as to the minimum. We certainly would run our department as cheaply as possible. The average is a little dangerous, because, when you get things going, you have to keep somebody down low to give someone else a high salary.
- Mr. Lord: Don't you think that such a change in the law would be a pretty good idea?
- Mr. Kearney: I do. I was surprised it did not go through last session, as I know the chairman of the committee and two or three others agreed with me at that time.
- Mr. Lord: What was the reason it was killed?
- Mr. Kearney: That I don't know.
- Mr. Burtless: The bill was passed finally, but it left the minimum and increased the maximum to \$1,300.00 and the average to \$1,100.00.
- Mr. Lord: What do you think of the vacation period allowed by the statute to department clerks?
- Mr. Kearney: Twenty-four days; well, I think that's all right. I favor that.
- Mr. Lord: You don't think it is too much?
- Mr. Kearney: Well, the men in our office don't take it. For instance, Mr. Harris, I don't think he has taken a day off in two or three years; then there are others that want every day that is coming.
- Mr. Burtless: You take men working outside all the time, away from home, two days a month is not too much to give them.
- Mr. Kearney: No, I believe it is a decent thing to do. They work better for having had the days to go home and are more contented.
- Mr. Lord: I refer mostly to clerks in the offices. I don't think many private offices give that much vacation.
- Mr. Kearney: They probably don't give them that much, usually two weeks, and I believe that it is right to give them vacation. You get better service, your employes feel better, and they take a better interest in their work.
- Mr. Lord: They should have a vacation, no question about that. But should an employe in a political office enjoy a longer vacation period than the ordinary employe doing a similar work in a private office?
- Mr. Kearney: Whatever would be a fair general average throughout the state would be fair in the state offices.
- Mr. Lord: Would you say that same thing about hours of work?
- Mr. Kearney: Yes, their hours are not very long anyway. But in this office our clerks work from 8 until 12, and from 1 until 4, and fre-

quently in the evenings. If there is any work to be done, they don't stop. Now, you take a man or woman who will sit steadily during all that time and do work in this office, it is time for them to quit when it is 4 o'clock.

MICHIGAN RAILROAD COMMISSION

Mr. Lord: We would like to have you make a statement to the commission, setting forth the various activities of the Railroad Commission.

Mr. Glasgow: Of course, when the commission was created, September 28th, 1907, we succeeded to the work of the Railroad Commissioner, in a large measure; some few things having been added. Then, the legislature of 1909 added to the duties of the Railroad Commission, which you undoubtedly largely understand. They pertained largely to physical conditions, such as train operations, track conditions, stations, crossing protection, etc., which have heretofore been generally under the jurisdiction of the Railroad Commissioner. Then, as I stated, the legislature of 1909 thought there was more that three men could do, so they began to add new duties, jurisdiction over rates as to railroads and express companies, the handling of claims, etc. In 1911, they gave us jurisdiction over the water-power that is generating electricity; over telephone companies; the control of electric light companies and gas companies, and other public utilities; also over the issuance of stocks and bonds. Our jurisdiction over these public utilities was just so far as securities were concerned, and not so far as rates were concerned. The legislature of 1911 simply strengthened some of the acts which gave us jurisdiction over some of the utilities named.

The work of the commission is practically divided among the three members of the commission in this manner: Commissioner Cunningham looks after all business pertaining to physical condition of railroads, furnishing of empty cars, removing of loaded cars, speed of trains over dangerous tracks, determining whether track is dangerous or not, the protection of crossings in cities, highway crossings in the country, and by a law passed in 1913, I think, in connection with the highway department, he has, representing this commission, authority to determine whether a highway shall cross a railroad or not, and, if so, at what point.

In matters relating to telephone companies, those come primarily to Commissioner Keiser, as does also correspondence in relation to the issuance of securities; also the settlement of claims, which do not originate from an erroneous application of rates.

The matter of rates of every character, except telephone, electric light, express and freight rates, comes to me. No decision of any member is rendered except that the matter is either heard by or submitted to the full board. In matters of minor importance we have found it necessary that the party before whom the work primarily comes, may sit at the hearing, if necessary, alone, but ordinarily two out of the three sit at the hearing and then submit a record of the hearing, or make concise statement of same to the

other member or members of the board, before an opinion is given. That, we find necessary by reason of the fact that when we all attempt to sit at all the hearings, we couldn't do the work, or begin to do it.

There has been application made for an advance in rates by approximately one hundred and forty telephone companies in the last thirty days. Those varied conditions demand a separate hearing in every case and, in some cases, the appraisal of property. In some cases we accept the appraisal of property made by themselves.

Mr. Lord: Who makes those appraisals?

Mr. Glasgow: If the appraisal has been made within a recent period by a person in no way connected with the company, a man who has a standing recognized by the public in general, we accept that appraisal. If there is any question in our mind as to sufficiency of information or correctness of appraisal, or anything which leads us to believe it might be colored in the least, then the commission appoints the appraiser. As a rule, we have employed someone in connection with the University at Ann Arbor; we have had Professor Cooley do a lot of work for us in telephone line matters. In water-power appraisals the law permits us to send for information, and, if not sufficiently complete to meet our approval, we have the property appraised by Professor Cooley's staff, or if conditions surrounding that particular appraisal do not make it advisable, then we have somebody outside of his staff.

Mr. Lord: Do you know what expense it has been to the state on an average, each year, for making those appraisals?

Mr. Glasgow: As I recall, the only expense the state has been put to is the appraisal of a property now before the department. The expense of the state for expert engineering services was in one case an electrical line examination, \$48.63; another case of the examination of tracks, \$22.50.

Mr. Lord: Are those bills paid by the applicant to the parties making the examination, or is the cost paid through this office? Do you bill the applicant for cost of appraisal and then pay the men who made the appraisal?

Mr. Glasgow: The applicant pays direct.

Mr. Lord: Tell us in a general way the methods employed in making the appraisals.

Mr. Glasgow: Of course, different appraisers have different theories. In the larger cases, or in the applications from the large companies, the question of intangible value has, at our request, not been included by the appraiser, but listed and we have been allowed to pass upon it. The appraiser would list the intangibles, whether a long time franchise contract with a certain concern, where light is furnished, or whatever it was. He would give the actual value of the physical property; the value of merchandise, etc., and a history of the industry or company itself. Then, when it came to intangible values, it would be left to this department as to what should be allowed for them.

Mr. Lord: When you get a statement of intangible value, what do you do with it when it comes here?

Mr. Glasgow: As a rule, we allow very little for intangible values.

Take, for instance, a telephone company in a territory that has its connections with a line in one direction and a line in another direction; if it is connected with the Bell or Automatic for long distance services; that serves a certain territory where possibly their solicitor has gone out and spent \$1,500.00 in working up the business, explaining use, etc.; or, if it is an electric plant, going out to people having them install electricity in their homes for different purposes; or going to some plant and convincing a man that it is better to use electricity than his steam or gasoline engine. When that electrical company has become installed and got ten or fifteen hundred customers, it is a different thing than when they start and don't have any business. The good will of that business is worth some money. It is really worth whatever it cost.

Mr. Lord: Would it be safe, however, to capitalize that good will for the purpose of fixing rates?

Mr. Glasgow: Oh, no. What we consider when fixing rates is the physical value.

Mr. Thompson: What rules do you follow as to depreciation, reproduction, etc.?

Mr. Glasgow: If it is a plant already installed, we get first what the plant is worth, in the judgment of an appraiser, as it stands; what it would cost to reproduce now, and, if it has been built for several years, we get the depreciation. We consider whether it has run ten years and been allowed to run down rapidly, or whether it has been kept up to 85 or 90 per cent of its efficiency. Ordinarily in telephone property we apply a depreciation of 6 per cent per year.

Mr. Thompson: To what extent do you consider rights of way?

Mr. Glasgow: Not at all, unless on public property, because we assume that any fellow could get it. We do to this extent; where the applicant has been to the expense of having a special election held, we allow them that expense.

Mr. Lord: Don't you think it would pay the state, in the matter of making appraisals, to have an expert engineer in its service?

Mr. Glasgow: I have always contended that. You go to any state where they do this business in a large way, like New York, Wisconsin, Minnesota, and a number of other states we might name, and they employ their own engineering force, getting a good deal more data and more reliable information. It removes the man from any possible relation to the applicant for an appraisal.

Mr. Lord: Will it become necessary to do that as your work increases?

Mr. Glasgow: I think it will. What we have tried to do at two sessions of the legislature is to make this a Public Utility Board.

Mr. Lord: Would you endorse a recommendation of this commission if it made it concerning employment by the state of an engineer?

Mr. Glasgow: I certainly would.

I think this, firstly, that instead of the applicant paying the outside engineer, he should be required to pay the state for the services and it would be self-sustaining; and we would have a man under our control at all times for any kind of engineering services we desired. The department has a man under the head of "engineer" very well posted on the physical conditions of railroads in the state. He has been connected with this department for about eighteen years and

I don't believe you can call up a crossing or highway of the state, or any railroad in Michigan, that has been viewed by this department, or where any protection has been made, that he couldn't sit in his chair and describe it to you; but he is not in a position to go out and determine the safety of a bridge.

Appraisals—Statement of expense—

St. Joe Power Company, on first appraisal.....	\$250.00
Michigan Gas and Electric Light Company.....	483.65

Appraisal of Pere Marquette Railroad, made in 1914:

Payroll for month of

May	\$3,796.43
June	7,963.88
July	15,715.56
August	20,848.31
September	15,765.26
October	9,685.92
November	3,912.30
December	1,814.54

\$79,502.20

Detroit United Railway Appraisal, 1914:

Tangible property—

Payroll preceding month of

September	\$862.58
September	6,154.84
October	12,981.11
November	17,346.05
December	21,270.94
Further item of.....	1,975.84

1915: Payroll for

January	\$21,643.20
February	19,750.63
March	16,813.60
April	18,159.47
May	6,961.43
June	5,152.74
July	3,282.79
August	3,074.27
September	2,854.98
October	2,754.34
November	309.09

Total cost for appraisal of tangible property..... \$161,347.90

Intangible property: 1915—

Payroll for

April	\$912.29
May	699.33
June	997.29
July	532.75
August	266.90
September	397.87
October	486.99

\$4,293.42

Total cost of the Detroit United Railway..... \$165,641.32

Mr. Glasgow: The matter of rates of all kinds, whether railroad, express, water-power or electric light, comes to myself, and all claims originating from the application of erroneous rates, differences of their schedule or charges come to me.

There are many little things that come up from people whom we attempt to serve, no matter whether it is a state or interstate matter. Fifteen minutes ago I had a call from an electric light power plant who was furnishing power to a steel plant for the manufacture of government war material. They were out of coal and had sent a representative to Chicago to see if they could get some and finally found they could get coal in Chicago, if they could get the cars. They asked us to take it up with the Michigan Central to furnish cars in Chicago for bringing the coal to their city, and we did and were able to give them cars in Chicago for this coal. Also people call us up and say they have had a car on the way for ten days and ask us to see what we can do.

Mr. Lord: So that you are really a clearing house for various purposes?

Mr. Glasgow: Our authority in the adjustment of claims is in the matter of erroneous application of rates. Generally, this is caused by some local agent misinterpreting his tariff, or getting the figures from the wrong line on the schedule. Claims might amount from the minimum of 23 cents to \$2,300.00, according to the shipment. They come to us just as quickly for \$2.00 as for \$200.00. If a gentleman in Lansing buys a ticket to Detroit and has occasion to leave the train at Ann Arbor or Howell; if he brings the unused part of his ticket to us, we can take it up and get his money refunded.

Mr. Lord: Can you tell how many complaints you received and adjusted during the last year?

Mr. Glasgow: Ninety-four claims amounting \$3,971.22.

Mr. Glasgow: We have a number of calls that come in here for services and to avoid the expense of the telephone, we endeavor to arrange the matter by the first mail. Quite often conditions make it necessary for us to telephone. For instance, some men have three cars of stock loaded ready for the train to take them out, and through the independence on the part of the train crew, they go by and don't take them. Cases such as that demand our immediate attention.

Mr. Lord: Outside of the establishment of an engineering department here under your supervision, in what other manner could you increase the efficiency of your department, if any?

Mr. Glasgow: I think the limitation of the number of employes should be removed.

Mr. Lord: What is the statutory limitation in the matter of clerks?

Mr. Glasgow: Not to exceed five.

Mr. Lord: When was that law enacted?

Mr. Glasgow: Guess it has always been that way.

Mr. Lord: Notwithstanding the increasing activities of your department, it has never been called to the attention of the legislature?

Mr. Glasgow: It was sent in last session, but unfortunately it was handed to a man who gave more attention to other things than legislation, and it did not reach the committee in time to have attention.

Mr. Thompson: What do you think of the graded salary law; how does that work out?

Mr. Glasgow: We have always figured that that pertained to people who worked in the capitol and not here. We have never followed it for this reason. If we were a department that employed a large number of clerks to perform what clerical service was needed, it would be different. But we find this condition as to our employes, if we have a statistician, we only have one; if we have an engineer, we only have one; if we have a telephone expert at the head of our telephone department, we have to pay what he asks; we can't get him for \$800.00. We try to hold ourselves within the bounds as to stenographers. We commenced paying stenographers \$850.00 and soon we found them leaving us; we paid them \$850.00 the first year, \$950.00 the second year and \$1,000.00 the third year. Then we commenced and paid them \$1,000.00 the first year, \$1,100.00 the second year and \$1,200.00 the third year. We have to have better stenographers than the average; we have to have stenographers who can take a hearing. They really have to be better than court reporters, because three people are liable to talk in three different languages at one time. We find people appear before us, when they see a stenographer taking dictation, who will go to that stenographer and ask her how much she is getting, and say "come with me, and I will give you \$1,400.00." We have lost two to the Gier Pressed Steel Company, one man to the Prosecuting Attorney's office in Wayne County, one man to the stenographic force in Grand Rapids, and in every instance it has been because commercial and industrial people have outbid us. They take them from us on all sides. We can't go down to the \$800.00 proposition, as almost everybody in the department has to be an expert in their line. We have not a person in the department working for less than \$1,000.00, except a new stenographer that we put on two weeks ago.

Mr. Lord: Will you tell us next about what you think would be the ideal way for the handling of public utilities from the standpoint of state supervision?

Mr. Glasgow: My opinion expressed in answering your question would undoubtedly bring me in conflict with a great many people, because I am not a believer in home rule at all. If the state board is going to have control over utilities operating outside of municipalities, I believe the state should have control over municipally owned plants. If the city of Detroit, or any other city, is going to assume the right to control, not only their own municipal plant, but any privately owned plant operating in the city, the privately owned plant is going to be the loser. They can exercise control over a plant within the limits of the city, yet the privately owned plant operates in territory outside of the city; for instance, the Michigan Railway Company. If the state had had control of the city street car plant in Detroit, its troubles would have been settled long ago. If Detroit is going to say what a telephone company shall charge, Ann Arbor shall charge a different rate, and Jackson may fix rates in Jackson, you will have at once a lack of uniformity in service caused by placing the control in the hands of the municipal authorities. Any enterprise, even though purely local, can be regulated and its rights determined as

to its reasonableness in the service of the local people, more properly and fairly by disinterested authority than by conflict of local and interested authority. There is no local enterprise but what gets and demands certain concessions and rights. It may observe a certain condition in one portion of the city, in compliance with a request of an alderman from that district, and may not be in position to make the same concessions to some other alderman in another part of the city, and the cat-hauling that goes on in the control of utilities is the very element that places them under the control of local authorities.

Mr. Lord: In regard to this Public Utilities Commission; would you have such a commission in place of the Railroad Commission?

Mr. Glasgow: Well, it would take more men with the utilities all under our supervision.

Mr. Lord: How wide a scope would you give it?

Mr. Glasgow: Have it take in everything, the same as Wisconsin, New York, and other states. Everything of that character that serves the public.

Mr. Lord: How about steamboat companies running between home shores?

Mr. Glasgow: I had occasion to write a letter on that question a short time ago. It was regarding the proper rates to apply to handling of freight between certain points, and I had to say that we did not have jurisdiction in Michigan. We have no regular intra-state water service. Our law says we shall have jurisdiction on rail and part by water, but we have no such jurisdiction. We have tried to exercise control over the rates on shipments by water between points in Michigan, but they avoid coming under our jurisdiction by refusing to issue a through bill of lading. If they did issue a bill of lading clear through, they would be under our control; they make the local rate rather than the through rate. There are shipments taken by water, largely from Detroit, Port Huron, Bay City, Mackinac and Saginaw. Somebody ought to have some jurisdiction over the water rates between points in Michigan.

Mr. Lord: You couldn't get state supervision over local utilities without an amendment to the constitution, could you?

Mr. Glasgow: In the last bill submitted to the legislature, to create a Public Utilities Commission, that was the great issue, and I don't recall in that particular instance that it specifically referred to any constitutional amendment. The fight before the committee was that the bill as drawn would place the control of all utilities in the hands of the commission. At the same time, Mr. Groesbeck, who drew the bill, was not in favor of it.

Mr. Thompson: How large would your ideal Public Service Commission be in order to handle the problems in Michigan?

Mr. Glasgow: Well, when this last bill was considered, the Governor wanted five members. We recommended not to exceed three, at least just three for two years; first, because it would take the larger portion of that time to reconstruct the entire department, get it in working condition, and for the general public to find out we had supervision; second, that it would demonstrate the necessity of more commissioners. We take the position that you can hire a better

man than you can appoint. Supposing we wanted five commissioners and wanted one of them to be at the head of the Engineering Department; we believe you could hire a better man for that position than you could appoint. Also, it is easier for one man to agree than for three, and easier for three men to agree than five. You are liable to have five opinions on the same subject.

Mr. Lord: Don't you think where a public service corporation makes application to this commission to issue bonds, necessitating investigation on the part of the commission, that the corporation should be obliged to pay something to the state for this service?

Mr. Glasgow: I have never given the matter sufficient study to know what the arguments would be for or against it.

Mr. Lord: Would a charge of this kind add to the burden of the public by way of increase in rates?

Mr. Glasgow: A charge of that character would be so slight that, after a number of years of service, the charges would be entirely lost. Supposing, for instance, that when such a company is incorporated, it costs them \$1.00 a thousand, and they were incorporated for \$500,000.00. When you spread that \$500,000.00, say over the charge which would be made to the customers served by that company, for the full length of time for which the security shall run, it would not be one-tenth of a mill to the taxpayer.

Mr. Thompson: If such a charge was in force, the rates of one-tenth of one per cent, during 1917, how much would it have netted the state?

Mr. Glasgow: A nice bunch of money.

The securities, stocks, bonds, notes and other evidence of indebtedness authorized by the Michigan Railroad Commission, for period from January 1st, 1916, to July 1st, 1917, was \$269,929,226.00; from January 1st, 1917, to July 1st, 1917, was \$226,194,505.00.

Mr. Thompson: What conflict would there be between your department and the Securities Commission in making such a charge?

Mr. Glasgow: There ought not to be any. It would be very proper if they would make the same charge.

Mr. Thompson: What are the arguments in favor of a double charge?

Mr. Glasgow: They don't pass on the same securities as we do.

Mr. Thompson: Ought there to be a single board passing on all those securities; in other words, ought the Securities Commission and the Railroad Commission to work together?

Mr. Glasgow: I have not given it any consideration at all, and possibly, in view of the fact of their being separate boards, it might be a rather delicate thing to express an opinion on at this stage of the game. I do think that the consolidation of boards, where it reduces expense and does not lessen efficiency, is to be commended.

In making up a list of those things, which in the aggregate represent the expense of incorporations and launching of a new business, there appear items which would be as large as any fee which might be charged by the state for granting authority to issue securities, in the form of incidentals, legal expense, etc., which are not actual, but which, as a matter of custom, seem to have been allowed. So that if the small fee which the state should charge was considered, it certainly couldn't be looked upon as a burden while all these other like

charges are being allowed. I question that the corporations would offer much of any objection to paying a small fee.

Mr. Thompson: And you think one-tenth of one per cent would be a reasonable fee?

Mr. Glasgow: I couldn't speak from experience, of course; I haven't given it any thought. The Securities Commission has been trying it out. It is possible there ought to be a graded charge. If a company is organized for \$100,000.00, they are quite liable to ask to have issued a very large proportion of that amount, whereas a company whose activities are expected to continue indefinitely, oftentimes is capitalized for \$1,000,000.00, but don't wish to exceed, for a number of years, two, three or four thousand dollars.

Mr. Thompson: You spoke this morning about a tax derived from water-power.

Mr. Glasgow: Of course, they might raise an objection to that by saying that the general tax they pay is heavy enough, but, on the other hand, no corporation should be permitted to step in and utilize the natural benefits derived from the streams simply by paying taxes on the physical value they have put into it. There is a natural element there that they never created.

Mr. Thompson: Would such a charge as you outline be an added burden to the public? Could not the same end be attained for the public by reduction and regulation of rates?

Mr. Glasgow: You might if you were going to tax them on the number of kilowatts produced and sold. The difficulty would be that any charge in the rates would be so much greater than a reasonable tax. The tax would be so small it would be borne by the producer rather than the consumer.

Mr. Thompson: What classes of business operations ought to be included in public utilities?

Mr. Glasgow: Everything not purely private in character. Railroad systems, express systems, telephone and telegraph lines, gas plants, electric light plants, water transportation companies, street-railways, power companies, heating and lighting companies, transportation companies of all kinds, including jitneys, dray lines, taxi lines, etc.

Mr. Thompson: All public transportation, all means of communication and all public transfers of power, heating or light.

Mr. Lord: Have you an efficient office force?

Mr. Glasgow: Yes, sir.

Mr. Lord: Does your work here in this department bear any relationship whatever to work being done in any other department of the state government?

Mr. Glasgow: None whatever.

Mr. Lord: No duplication of efforts?

Mr. Glasgow: No, sir.

Mr. Lord: The only place from whom you get help is the Tax Commission, occasionally?

Mr. Glasgow: Occasionally we call them to ascertain what property has been assessed at or to verify figures we have.

INDUSTRIAL ACCIDENT BOARD

Mr. Lord: Mr. Smith, as Chairman of the Industrial Accident Board, will you state in a general way to the Budget Commission what the various activities of the board are?

Mr. Smith: The board is organized for the purpose of carrying out the provisions of Act 10 of the Public Acts of the First Extra Session of 1912, commonly called the "Workmen's Compensation Law." Under that law, there are about twenty thousand private employers of labor who have accepted the act by filing their acceptances. I think that I might state here that every private employer of labor must accept the act by a statement in writing, that all those private employers of labor must insure in an insurance company, approved by the Industrial Accident Board, unless the board sees fit to give them the right to carry their own risk and that is done only when they are considered sufficiently financially strong by the board. There are about forty-five insurance companies that have been authorized by the department in Michigan to write workmen's compensation. Whenever an employer accepts the act, the board must see to it that he procures insurance. We have what is called an "insurance and acceptance" department, or, more properly speaking, an "acceptance and insurance" department. In that department we keep a record of the acceptance of every employer and a record of the insurance he carries from year to year. We have to do that, and we have to have that record accurate, because when any employe is injured, the board must be able to tell the employe the name of the insurance company that his employer is insured with. The "acceptance and insurance" department takes all of the time of three persons and really the three persons are not able to do all of the work and keep it up. I might say in that connection, and here is something that I believe you gentlemen will appreciate, that some employers have been claiming that they could accept the act in part and reject it in part, and that they could come under the act for part of their activities and stay out for the rest of their activities, and some insurance companies have been claiming that they could insure a portion of the business of the employer. Just at the present time the board is troubled considerably with those propositions. There have been two decisions of the Supreme Court in regard to this and an important case is now pending on that proposition. If it is found that this can be done, it will be pretty nearly impossible to carry out the provisions of the Workmen's Compensation Law, and instead of three in the acceptance and insurance department, we will need twelve.

In addition to the private employers of labor, there are about ten thousand public employers of labor, consisting of fifty-nine or sixty state departments and institutions, some eighty odd counties, some one hundred and twenty-five cities or thereabouts, three hundred and thirty-five villages or thereabouts, and some seventy-five hundred school districts or thereabouts. The last legislature changed the law somewhat, and it became necessary for the board to write to every employer in Michigan, both public and private, which it did, except only that we did not write to country school districts. We

thought that, judging from the past, we had had so few accidents in those districts, that it was unnecessary to go to the expense of writing to every district. We wrote to all others—some twenty-five thousand letters—and sent them all a copy of the law, rules of the board and a lot of blanks for them to comply with the law on. The law requires all of those thirty-thousand employers of labor to report to the Industrial Board any accident that happens to any of their employes, no matter how trivial in its character the accident may seem to be. In 1916 about forty-six thousand accidents were reported by employers of labor to the board.

Mr. Lord: Let me ask a question right here, Mr. Smith. What disposition do you make of these accidents reported when they come in?

Mr. Smith: In that connection, I will say that of these forty-six thousand, about nineteen thousand six hundred, as I recall, were compensable accidents. Some twenty-six thousand were non-compensable. In case of non-compensable accidents, nothing remains to be done as soon as the board is satisfied that it is a non-compensable accident. In case of the nearly twenty thousand compensable accidents, the usual amount of correspondence is necessary. Of course, it is the duty of the employer or insurer, as these reports come in, to comply with the law by filing an agreement setting up the man's wages, what he is entitled to and agreeing to pay one-half of his wages during his disability or, for the cutting off of his finger or the knocking out of an eye, or whatever the accident may be. In a good many of the twenty thousand accidents, correspondence was necessary in order to get their agreement correct; it very frequently comes in wrong.

Mr. Lord: You have to write for corrections. That constitutes your principal correspondence, does it?

Mr. Smith: The correspondence relating to all these accidents does constitute the bulk of it. I might say that at the end of 1916 the number of private employers under the act was eighteen thousand six hundred and forty-seven. We have more now—about twenty thousand—I believe; that at the close of 1916, according to the best information we could obtain, there were seven hundred thirty-nine thousand, four hundred and thirty-six employes who were working for employers who were under the act. The exact number of accidents reported, to which I referred, is forty-six thousand five hundred and two; of those forty-six thousand five hundred and two accidents, three hundred and eighty-nine were fatal accidents, a little over a death a day; of those accidents, seventeen hundred and thirteen resulted in permanent partial disability; of those accidents, sixteen thousand nine hundred and sixty-one resulted in temporary total disability. The exact number of compensable accidents I find was nineteen hundred and sixty-three. The total number of cases completed and filed away last year was fifteen thousand seven hundred and forty-five. The total number of claims which were executed and approved last year was seventeen thousand five hundred and sixty-three. The total amount of compensation paid in current and completed cases as per our record last year was \$1,723,617.73.

Mr. Lord: Was that paid voluntarily by the employer?

Mr. Smith: No, that compensation was paid partially under agreements

made voluntarily, partially as a result of arbitration in disputed cases. In all cases, gentlemen, where agreements are not entered into by the parties through correspondence, when we reach the point that we cannot get an agreement, then either the injured employe, the employer or the insurer files what is called "notice and application for adjustment of claim." When that application for adjustment is filed, the other party must be notified, under the rules of the board, and the case set for arbitration. The law requires that the arbitration must be held in the locality where the injury occurred. Last year there were three hundred and sixty-three applications for arbitration, where agreements could not be entered into. Of those three hundred and sixty-three applications, there were three hundred and eleven hearings actually held. Those are held by the two deputy commissioners, and by the members of the board—mostly by the deputies—but by the members of the board when they get time or when the deputies are unable to go. Of the three hundred and eleven cases—and I may say that they are practically a law-suit—most of them take half a day—in order that the warrant on arbitration may be any good and that the Supreme Court may not set it aside, each party must be fully notified in order that he may bring his witnesses, etc. These three hundred and eleven cases were tried in that way and out of the three hundred and eleven, the injured employe was entitled to compensation, and so found, in one hundred and eighty-two. In one hundred and nineteen of the cases, it was found that the injured employe had no just claim, and he was denied compensation.

Mr. Lord: You say "committee on arbitration"—does that consist of somebody besides the deputies?

Mr. Smith: The law requires that at the hearing, the case shall be heard by a member of the board or a deputy commissioner, and also that each party shall appoint an arbitrator. The applicant appoints one man and the employer another man, and these three form the board. These arbitrators must be paid by the state—the law says \$5.00 a day. We, I am frank to say, have been paying them \$2.50 a session, even though more than a half a day, we have paid them \$2.50, and if it requires all day we pay them \$5.00. I will say to you that in practice the arbitrators do not cut much of a figure. The deputy is generally the only man who knows the law.

Mr. Lord: Suppose the arbitrators don't agree, then what?

Mr. Smith: Two of them must agree, because there are only three, and if two agree they make the decision and the other man makes his dissent upon it.

Mr. Lord: Are the witnesses paid by the state?

Mr. Smith: The witnesses are not paid by the state and it is a serious question in the minds of the board, where the state is paying all the expenses of arbitration, whether or not it could be made to pay under the law. We have construed it to mean that they shall pay only the arbitrators. Of these three hundred and eleven law-suits, some are \$3,000.00 cases, some \$2,500.00 and some \$4,000.00 cases. Sometimes the employe may not have an attorney—probably the insurer and employer would. When the injured employe does not have an

attorney, the Chairman of the arbitration committee examines witnesses, if necessary.

Mr. Lord: Where does the money come from to meet the expenses of arbitration that you pay?

Mr. Smith: The arbitrators are paid out of the appropriation of the Industrial Accident Board. The deputies are also paid out of that, the only other expenses would be witness fees, I take it. Our expenses come from a state appropriation. We were given this year and next year \$70,000.00 from the state. This \$70,000.00 is plain contribution for carrying out of the act. We do not turn in any money to the state from fees.

Mr. Lord: So that employers of labor do not contribute anything?

Mr. Smith: No, sir; only their proportion of expenses and taxes.

Mr. Lord: What benefit is this work to the state as a whole?

Mr. Smith: I believe it is a great benefit in that hundreds of damage cases of employes against their employers were in the courts prior to the enactment of this law. There are not many more damage cases of any importance, because nearly all employers now come under this act.

Mr. Smith: What I was going to say is this: I believe that every employer should be made to increase, to some extent, the compensation that is now paid to the injured employee. I think that instead of taking care of a man who is injured for three weeks, they ought to take care of him for three months, if necessary. I would say further that instead of making a poor injured employee wait for fourteen days before the compensation starts, that it should start at the end of seven days.

Mr. Lord: Why shouldn't it begin at the time of action?

Mr. Smith: It was alleged when workmen's compensation law was being discussed, that if the employee drew compensation immediately upon being hurt, he would magnify his injury, that little accidents lasting only one, two or three days, would be made to seem more serious, and that something should be in the law to make the employee be more careful himself, and if he was slightly injured, a little of the burden should fall on him.

Mr. Thompson: As I understand your efforts here, they are as follows: First, to determine your rules of operation; Second, work out methods of acceptance by the employer of the law; Third, to determine the question of carrying the risk which involves investigation and licensing of companies, the administration of the industrial fund and the determination of whether or not the employer is justly able to carry risks himself; Fourth, question of determination and disposition of accidents.

Mr. Smith: I might say to you that we have nothing to do with the State Industrial Accident fund. In a general way you have stated our efforts.

I think at this point it would be a good place to state that last year, out of three hundred and eleven arbitration hearings, application was made to appeal one hundred and ten of them.

Mr. Lord: Where is that appeal made?

Mr. Smith: To the full board. All those one hundred and ten were heard and enough others pending to number one hundred and thirty

for the year. When these cases are appealed, all the testimony taken before the arbitrators is set up in the appeal.

Mr. Lord: Who pays the expense of the appeal?

Mr. Smith: The party who appeals, and I might say that in eight cases out of ten, it is the employers and insurance companies. If the employe is beaten, he is usually too poor to appeal.

Mr. Lord: Do you think that they lose any appeals because they are financially unable to carry them up?

Mr. Smith: I doubt it very much, for the deputies and members of the board are very careful, or try to be, to see that the employe gets an opportunity to present his case on its merits, or on facts.

Mr. Lord: He has to present it in person, while the employer presents it through an attorney.

Mr. Kennedy: Most of the lawyers representing employers of labor say that they would rather run up against a lawyer representing an employe than members of the board.

Mr. Lord: Does the deputy or member represent the laboring man?

Mr. Smith: The deputy represents the state. If, in his judgment, it is necessary for that injured man to get in any other witnesses, he tells him so. The deputy or member seeks to get the truth and, if necessary, he adjourns the hearing to get the truth, and asks the parties to bring in witnesses. I do not believe that the deputy or member closes a hearing without feeling assured—he may be wrong about it—that the employe has had an opportunity to present all the truth of the case and the deputy will aid him in doing so.

Mr. Lord: Is he cross-examined?

Mr. Smith: Where the injured employe has no attorney, the deputy or member of the board examines him and asks him for the facts, and then permits the attorney on the other side, if he likes, to cross-examine him. The deputy always examines the witnesses produced by the respondent. They are empowered to make any investigations that they deem necessary. That is a pretty broad power. I might call your attention to the fact that Section 8 of Part 3 provides that the committee of arbitration shall make such inquiries and investigations as they deem necessary. I might say as to these arbitrations, that the board insists that these deputy commissioners shall make a detailed finding and statement of the facts of every case to the board. Mr. Zierleyn and Mr. Reeves are the two deputies. At night, when they have finished an arbitration, if they have time, they write out in longhand a statement of facts of that case, brief of testimony. This is not required by law, only by the board. Sometimes they don't get an opportunity to write it all out and can only make memoranda and, when they get into the office, they get it in shape for their report. These three men held three hundred and eleven hearings and they were just like three hundred and eleven law-suits. And we require that they shall make their findings, together with the three hundred and eleven hearings, on the two hundred and eighty-two conferences.

Mr. Lord: Are appeals from your decisions to the Supreme Court made largely by employe or by employer?

Mr. Smith: Employer.

Mr. Lord: Isn't it a fact that the employer is the one that fights the decision of the board to a large extent?

- Mr. Smith: Perhaps. He thinks that the board is inclined to look after the employe. The Supreme Court has decided ninety-six cases on appeal from the final order of this board. Of those ninety-six, my recollection is that ninety-one of them were appealed by the employer or insurance company, and that five of them were appealed by the employe. This may not be exact, but it is pretty close.
- Mr. Lord: In how many of the cases appealed to the Supreme Court was the decision of the full board sustained?
- Mr. Smith: At a rough guess, I would say that out of ninety-six—this is a guess—probably fifty-five, not far from half and half.
- Mr. Tompkins: You say that you arrange your conferences by bunches in order to save money for the state. In the meantime, what is the injured employe doing for compensation?
- Mr. Smith: Possibly I should correct my statement by saying that we round up these conferences, but that is limited to the fact that we endeavor to get to the man as quickly as we can. It may be that he has to wait a little longer than he should. If we see that he is not going to be reached in the proper time, we go to a little extra trouble or possibly expense.
- Mr. Lord: Getting back to the disadvantage of the employe in the matter of hearings on appeal, we will take for illustration a case where a man living in the Upper Peninsula is killed. He is a poor man and leaves a wife and large family. The employer of that man appeals from the decision of the arbitration board to the full board in Lansing. How is it possible for that widow to be represented here as she ought to be, under this law? Cases are appealed and, in cases such as I cite, the employer would send his attorney down here and fight it hard, of course. That poor widow has no means to enable her to hire an attorney or anybody else, and couldn't come down here herself.
- Mr. Smith: If the facts were actually brought out in the testimony before the arbitration board, the Accident Board will see to it that she gets just as good protection under the law as if she had six attorneys.
- Mr. Lord: Isn't it a fact that you hear only one side on appeal here? Isn't it a fact that the board works under a disadvantage because of it?
- Mr. Smith: To a certain extent, that might be so.
- Mr. Lord: And, because of this fact, isn't there a danger of an employe not getting a proper settlement?
- Mr. Smith: No, I don't think so, Mr. Lord.
- Mr. Lord: The point I want to bring out is that this widow should be properly represented before this board on appeal, and that the employer of labor should not have it all his own way.
- Mr. Smith: In many instances, she does have an attorney. In cases where she couldn't have an attorney, this board, and pretty often in her locality there would be a lawyer having enough humanity about him, who, after she went to him and stated her case, would take the case and tell her to pay him if she got a settlement, and if not, there would be no charge for his services.
- Mr. Lord: I don't believe there are many attorneys of that kind.
- Mr. Kennedy: Quite a few of them throughout the state.

- Mr. Lord: There is some complaint—I have heard it myself—that they don't get quite a square deal as far as proper representation is concerned.
- Mr. O'Brien: In your opinion, is it necessary that provisions be made in the law for attorneys to represent injured employes?
- Mr. Smith: No, sir, I don't think it is necessary.
- Mr. Thompson: Ought there to be a provision for them to get additional evidence to show on appeal?
- Mr. Smith: Ordinarily not. I think that when instances arise of that kind that the Industrial Accident Board is empowered to see that this additional information is secured.
- Mr. Thompson: You stated that, in some instances, it was true that you worked to a disadvantage.
- Mr. Smith: I might explain that by saying that, when the employer has an award issued against him and he appeals, he takes some more testimony by deposition, giving reasonable notice to the employe, which is required by the law of the state, and he takes that testimony often with the idea of neutralizing the facts of the testimony which were taken before the committee of arbitration. If the employe has no attorney, he isn't able to appreciate the effect of that testimony that was taken subsequently by the employer, and the case may come here with this additional testimony taken by the employer in the absence of the employe, and that testimony be presented before the whole board, when really the injured employe never has awakened to the fact that it had been taken or was important.
- Mr. Lord: Isn't that one thing alone strong enough to prove that the state should provide proper representation for the employe?
- Mr. Kennedy: When we find that the employe is at a disadvantage, we have additional evidence taken for him.
- Mr. Smith: Possibly. I want to say that there is in the Supreme Court this minute, forty-nine undecided Industrial Accident Board appeals from the full board to the Supreme Court. Of these forty-nine appeals, thirteen have been submitted to the Supreme Court on briefs. Thirty-six will be upon the January (1918) calendar. Of these appeals, one, I believe, was appealed by the injured employe, and the balance were appealed by employers or insurance companies.
- Mr. Lord: Isn't the reason for that that the employe hasn't the means to carry appeals to the court?
- Mr. Smith: I don't think so. In close cases where defense is technical—and in many of these cases it is—I haven't any hesitancy in saying, and some people might say I am liable to criticism for saying it, that the board desires to have some of these questions settled, and in a close case where the board ought to have a settling for its guidance, the case is decided so that the employer or insurance company will appeal the case and settle that point of law.
- Mr. Lord: Is that the reason for so many of the appeals?
- Mr. Smith: For a small per cent of them.
- Mr. Lord: So that still it would leave a very large per cent of employers appealing to the court, as compared to the employes?
- Mr. Smith: For instance, of all those cases, I could pick out fifteen that were carried to the Supreme Court for no earthly reason and

- the Supreme Court will dismiss them as soon as they are presented.
- Mr. Kennedy: We had a bill before the legislature providing that the Prosecuting Attorney of each county should represent the injured man and that the state should pay the expense, and that the Attorney General should represent the injured man in the Supreme Court cases, but both were defeated.
- Mr. Lord: So that really the board has recognized the fact that the employe should be more adequately represented, otherwise you would not have presented the bill, would you?
- Mr. Kennedy: Yes, sir, we did recognize it.
- Mr. Smith: Speaking for myself, not the board, I will say that if any assistance should be granted to the employe, the law should be revised giving the Industrial Accident Board an investigator or an assistant, who was not a member of the committee of arbitration, who in proper instances might act as an advisor for the employe.
- Mr. Lord: Why couldn't the Attorney General or someone from his office do that work?
- Mr. Smith: Well, Mr. Lord, there will be this year twenty thousand compensable claims, and more, I believe. Correspondence will iron out some and conferences will iron out some, but there will be arbitrations and hearings to be held on a great many of them.
- Mr. Lord: All that the employe would get a lawyer for would be to appear before the board. Couldn't an assistant in the Attorney General's office attend to that?
- Mr. Smith: One assistant could do it as far as work is concerned.
- Mr. Lord: Would it not be fair to the poor man that he have that assistance from the state?
- Mr. Smith: I don't believe that since I have been on the board, that one injured employe has suffered any. I think that where an employe should be represented is at the first hearing, because there is where he gets his grilling. Of course, attorneys could be selected from localities in which the hearings are held and, I think that under Section 10, Part 3 of the act, that a reasonable construction of that section would make it necessary for the state to pay all of those expenses. The reason that they have not been carried out is that our appropriation was so low that the board could not pay it. In Section 10 of Part 3, you find this provision: "The arbitrators named by or for the parties to the dispute shall each receive \$5.00 a day for his services, but the Industrial Accident Board or any member thereof may allow reasonable amounts in extraordinary cases. The fees of such arbitrators and other costs of such arbitrators, not exceeding, however, the taxable cost allowed in suits at law in the circuit courts of this state, shall be fixed by the board and paid by the state as the other expenses of the board are paid. The fees and the payment thereof of all attorneys and physicians for services of this act shall be subject to the approval of the Industrial Accident Board."
- I don't want the commission to think that the hearing of the one hundred and fifty appeals is the only thing to be heard by this board.
- Mr. Lord: Where an appeal is made to the board, do you have to grant the petition?

Mr. Smith: They have a right to appeal as a matter of course, within seven days. If they do not appeal within the seven days, they may yet appeal if they can show the Industrial Accident Board that justice permits the appeal.

Mr. Lord: So that really every appeal is made within seven days?

Mr. Smith: Yes, that is a statutory provision.

Mr. Lord: Now, Mr. Smith, tell us what can be done, if anything, to increase the efficiency of your department.

Mr. Smith: That is a pretty broad question, Mr. Lord.

I hardly know. I think I ought to say, as a part of the answer to your question, that we have here seven stenographers who are writing letters and papers for the full board, the deputies, secretary and assistant secretary. In addition to these seven, there are two other stenographers, one of whom is writing letters for the acceptance department every minute and the other is working on the card index. Now, the work of the assistant secretary and secretary, a lot of it is taken up in writing or dictating letters regarding individual cases. They have to know the "Workmen's Compensation Law," decisions of the Supreme Court, rules of the board, etc., in order to do their duties well. We have been endeavoring to improve the work of the board by standardizing the work of the department. For illustration, every accident that happens in the state must be reported within ten days. Probably this year we will get in one hundred and fifty or two hundred thousand reports of accidents. Each of these accidents has to be reported a second time on the fifteenth day. The board has spent a good deal of time during the last year trying to work out a system by which the work of the office can become more automatic, but I think I am safe in saying that probably 90 per cent of our cases result from agreements being made, many others from the work of the secretary and assistant secretary in being able to quote the law, etc.

Mr. Lord: How long do your clerks work?

Mr. Smith: Seven hours a day, the same as all capitol employees.

Mr. Lord: How about vacations?

Mr. Smith: They have the usual twenty-four days' vacation.

Mr. Lord: What do you think about vacations? Do you think it is too much?

Mr. Smith: I don't know as I am the right kind of a judge.

Mr. Lord: You know about the conditions and regular rules for office help generally.

Mr. Smith: I think the vacation is too much. I will say this about Saturday. All other departments, or nearly all of them, close at 3 o'clock. We run until 4, eight months of the year, and in June, July, August and September, the four hot months, we stop at 1. Personally, I think the state departments ought to run from 8 to 12 and from 1 to 5. I think there ought to be an eight-hour day.

Mr. Kennedy: In our department, they work beyond their regular hours all the time.

Mr. Lord: Do you think an eight-hour day and two weeks' vacation a year is fair?

Mr. Smith: I believe an eight-hour day would be fair and two weeks' vacation would be enough.

- Mr. Lord: Are your employes appointed because of their capabilities or because of political influence?
- Mr. Smith: There have not been so very many changes since I have been here.
- Mr. Lord: In employing help, what has been the general rule followed? Have they been appointed on political recommendations, or because of their being capable and efficient?
- Mr. Smith: I might say, without specifying, that I know of only one political appointment since I have been here.
- Mr. Lord: What are the requirements for appointment to a clerkship in this department?
- Mr. Smith: Nothing, except personal examination of applicant.
- Mr. Gloster: The fact is, that for the last few years it has been hard to get a good stenographer and, until lately, we have not had very many applications.
- Mr. Smith: Of the ordinary clerks, we have one clerk and stenographer getting \$1,100.00 per year. She is worth more than that to any man's business, either public or private, but until the present year our appropriation was so small that we couldn't pay any more.
- Mr. Kennedy: We come under the \$800.00 salary law and you can't get a first-class stenographer for \$800.00.
- Mr. Lord: We want you people to give us your views as to the graded salary law—whether it has hampered you in getting efficient help, or not.
- Mr. Smith: I don't think it has, Mr. Lord. The graded salary law has not bothered us.
- Mr. Lord: What is the object of your paying such low salaries then?
- Mr. Kennedy: The law is one reason. We are limited to an average of \$1,100.00.
- Mr. Lord: Don't you think it is very important that you pay high enough salaries to get efficient help? Isn't it unwise to do otherwise?
- Mr. Smith: I think we have as efficient a crew of workers in this department as in any other state department.
- Mr. Lord: That may be very true, but the point is, is there any way you can increase the efficiency? Don't the low salaries tend to keep down the efficiency of your help? What do you think of the graded salary law?
- Mr. Smith: I think there should be some limit. As to just whether it is correct as it is, I would not want to say, but I think there should be a graded limit. My experience tells me that the state of Michigan has a whole lot of people working for it that don't earn the money they get.
- Mr. Lord: What do you think of the proposition of fixing a maximum amount for clerks, but no minimum?
- Mr. Smith: I am inclined to think that that would be a very wise thing.
- Mr. Lord: Do you receive reports from the secretary or assistant secretary as to the work?
- Mr. Smith: Only as I talk the matter over with them verbally.
- Mr. Lord: Your salaries are not any too large. The question in the minds of the commission is whether you can get the efficient help you need by paying the salaries you are paying.

- Mr. Smith: We have ten to whom we are paying each \$800.00 a year. Take the women who handle the files in this office, they work hard. It is laborious work. They need an education about such as a country school teacher needs and I believe the ordinary school teacher in the graded school receives \$800.00 or \$900.00 a year. I believe that some of our clerks and stenographers are attracted to the positions here because of the seven-hour day and twenty-four-day vacation. I would like to see the vacation cut to two weeks, the hours raised to eight hours per day and the salary increased.
- Mr. Lord: If every clerk worked eight hours instead of seven, would you need less clerks?
- Mr. Gloster: It might not make much difference in this department, because most of our clerks work eight hours a day now.
- Mr. Lord: How much money did you say the legislature gave you last year?
- Mr. Smith: \$70,000.00 per year.
- Mr. Lord: You have to pay the entire cost of the department out of that appropriation?
- Mr. Smith: Everything.
- Mr. Lord: Nothing from the general fund in addition?
- Mr. Smith: No. We pay for all our books, printing, paper, filing cases, salaries and everything out of one appropriation. We get back a little, but that goes into the general fund of the state. Even our rent must be paid out of our appropriation, traveling expenses, deputies, arbitration fees, etc., are all paid out of the appropriation.
- Mr. Lord: Has the efficiency of the department been crippled by the lack of insufficient money appropriated by the legislature?
- Mr. Kennedy: Yes, sir, it has.
- Mr. Lord: To what extent?
- Mr. Kennedy: To the extent that we could never get the proper help nor could we get the money to pay the salaries. People who were working here worked right along for quite a while without their salaries, because our funds had been exhausted. We had not the money to even think about doing the work we are doing now. We had to watch everything; in fact, we are doing the same thing right now.
- Mr. Lord: What was your procedure when you requested money from the legislature? What was the procedure to get money for the upkeep of your department; what did you present to the legislature and what information did you furnish it?
- Mr. Kennedy: Why, we itemized all our financial needs.
- Mr. Lord: Did you do that at every session of the legislature?
- Mr. Kennedy: Yes. In one or two cases we had to go back for a deficiency appropriation.
- Mr. Lord: What reason did the legislature give, or the Finance Committees give, for cutting out the \$5,000.00 appropriation you asked for? Do you remember?
- Mr. Kennedy: Mr. Hinkley was chairman. Perhaps he can tell you. There were no reasons given, they simply cut it out.
- Mr. Gloster: We had quite a session with them. Took our records all before them, but they stopped the meeting and said they had another important meeting.

- Mr. Lord: Mr. Smith, what legislation was proposed by way of amendments to the compensation law last session?
- Mr. Smith: We got one bill through that we think has cleared the atmosphere in our department very materially.
- Mr. Lord: Do you think the law needs any amendments now?
- Mr. Smith: I think that in some way it ought to provide for medical and surgical treatment of the injured employe that will make him well. At the present time the employer can treat him for three weeks and leave him. I would say that the best rule would be to put it at ninety days, which time would cover nearly all cases, and possibly put a provision in, that in peculiar cases where injury is so great that he ought to have more than ninety days, that upon proper application to the Industrial Accident Board, he could have it. This would compel the employer to take care of every employe for ninety days if he needed it. I have known where blood poison has set in from a little injury where the employer has taken care of him three weeks and dropped him. In that case the employer has to pay for his life and it would be cheaper for the employer and better for both sides if this amendment could be passed. I believe the state can well afford to pay for the administration of this law; that what the employer ought to do is to protect the injured man. This law is saving the state a good many thousand dollars a year that it previously spent in courts. Another way that this law should be amended, I believe, is that the compensation of the injured employe should start after the first week. As it is now it starts after the first fifteen days.
- Mr. Lord: Was the object of that to save expense to the employer?
- Mr. Smith: I wouldn't say that. If a man is incapacitated for eight weeks, the employer is obliged to pay him for the first two weeks. It was enacted so that the employe would not be tempted to deceive the employer and take a week or so off when he ought to be at work.
- Mr. Lord: Your idea is that compensation should start at the end of seven days?
- Mr. Smith: I think the eighth day is the proper time. Pick up the first week's wages at about the fourth week.
- Mr. Lord: Why don't you make such a recommendation in your annual report?
- Mr. Smith: The Industrial Accident Board has largely taken the position that it ought to act aloof to both the employer and employe. This board is ready to make some recommendations. It strikes me that the care of the injured man, to make him well, is the first thing he is entitled to, and the industry ought to pay that; the next thing is, he should be supported and maintained while he is getting well, and the industry should pay that. I don't believe anyone would be in favor of giving a man such a high compensation that it would tempt him to lie down on the job.
- Mr. Lord: Has it been your experience with the average laboring man that he would do such a thing?
- Mr. Kennedy: Of course, we are dealing with some foreigners and under some exaggerated conditions, but I don't believe that there is a

man in Michigan who would do that. I believe most of the laboring men are honest men.

Mr. Lord: The laboring man don't put very much over on the insurance company or employer either.

Mr. Smith: I think that is the general rule, but there are a good many men, not only laborers, but superintendents, men of affairs as well, that if they could make almost as much sitting around and taking vacations, they would be tempted to do so.

Mr. Lord: Those are very rare exceptions, I believe.

Mr. Gloster: I think as a rule the man wants to get back to work as soon as he can.

Mr. Kennedy: He won't rest very easy on \$10.00 a week when he can make \$24.00 a week at work.

BOARD OF CORRECTIONS AND CHARITIES

Mr. Lord: Mr. Murray, you are the Secretary of the State Board of Corrections and Charities?

Mr. Murray: Yes sir.

Mr. Lord: Will you state to the commission the various activities of the board, what good you have accomplished for the state and what you propose to do in the future, with particular reference to any increase in your activities, which would necessitate additional cost?

Mr. Murray: I don't know how to get at that except perhaps to start in here. First we have general supervisory powers over the state penal, reformatory and charitable institutions.

Mr. Lord: Tell us what the supervisory authority consists of.

Mr. Murray: The board meets at each state institution once a year, when any matter relating to the general policy of an institution is considered. Twenty-two out of the twenty-eight meetings of the board during the year 1914 were held at state institutions. The last report for the biennial period ending June 30th, 1916 shows that the board held forty meetings, thirty of which were held at state, county and private institutions. That would be about twenty-six meetings that were held at state institutions.

Mr. Lord: What does the board do when they go to the state institutions?

Mr. Murray: They make an inspection of the institution, go through all the departments and, once in two years, consider the matter of recommending appropriations to the legislature.

Mr. Lord: What do you do in the matter of determining whether or not an institution needs the money it asks for?

Mr. Murray: If they are asking for additional room, they make a statement to the board showing the capacity of the institution, the number of vacant beds, what their increase has been every year for, usually, five years. We could tell you now what the net increase has been at each of the state hospitals for the last five years. If it involves a contract for a building they figure out and present to the board a detailed statement of the cost of that contract. That is printed in the report in detail. If it is an institution asking for additional money, they are required to file with the board a state-

ment showing the amount of money actually expended for current expenses. That is, if the board has to pass upon the matter of current expenses, it is filed here.

Mr. Lord: What do you do after it is filed here?

Mr. Murray: Go to the institution and consider them.

Mr. Lord: In what way do you consider them?

Mr. Murray: Simply by comparison with previous costs. If their request for any particular item seems to be excessive, they are required to state to the board why it is increased.

Mr. Lord: How much time does the board spend at each institution?

Mr. Murray: Well, I couldn't tell you just how many hours we put in at an institution. We always figure on enough time to make a thorough inspection of the institution and go over in detail the matters with the Superintendent or some member of the board of control. Usually one or two members of the board are present when we pass upon the appropriation. It happens that sometimes if the board is not satisfied with the estimates as they come in, that we request the Board of Control to appear before our board and explain their needs. I think there were three or four cases of that kind during the last biennial period.

Mr. Lord: When you speak of estimates, you refer to appropriations, for new buildings, etc.?

Mr. Murray: That is all included. Their estimates come in on printed forms prescribed by the State Accountant and follow out his general accounting system. If it is an institution, those estimates come in on blank forms and they are required to give their data concerning same. For instance, the average number of inmates, per capita cost for maintaining the institution for the last year and expenses in detail for every item going to make up their current expense account. Then opposite that, they show the amount in the estimate that is needed for each year of the next biennial period. If the special appropriation is for a new building, they submit their estimates in detail. Those are printed in the report.

Mr. Lord: The reason I asked how much time the board members really spent at the institution, in making an investigation as to matters of the institution in a financial way, was to ascertain whether the board actually did go into that matter or whether it was left largely to the secretary of the board.

Mr. Murray: No, we do the detail work in the office. Of course, during what we call their off year, we get into the state institutions and really spend more time than we do at the meetings just previous to the legislature. Our regular meetings are held at the state institutions. Probably the routine work of the board will take, on an average, about two hours unless something out of the ordinary occurs, then the remainder of the day is spent in the institution. When we go to the institutions previous to the legislative session, we work them consecutively. We go out on a trip and make five or six institutions. Then, when our estimates come in, they are worked out in detail and boiled down. The board is together going from one institution to another and, with everything fresh in their minds, they form a pretty general idea of what appropriations they ought to recommend. After all have been examined, we make up a table showing

the appropriations asked for. Last year we spent three days, after being to all the state institutions, considering what recommendations we would make to the legislature.

- Mr. Lord: Do you ever cut out many items of any kinds, reducing estimates, etc.?
- Mr. Murray: In answering that, I will refer you to page 13 of our last report. They requested \$1,878,976.60 and the board recommended \$1,326,000.00, as the total for all institutions.
- Mr. Lord: What was the aggregate amount that was actually appropriated by the legislature?
- Mr. Murray: We have the amounts actually appropriated, but we haven't the total.

SPECIAL APPROPRIATIONS

Institution.	Requested.	Board	Legislature
		Recommended.	Allowed.
Kalamazoo State Hospital	\$261,794.90	\$111,081.90	\$55,209.00
Pontiac State Hospital	184,500.00	84,000.00	79,000.00
Traverse City Hospital	49,158.50	34,697.00	24,943.50
Newberry State Hospital	162,622.10	77,583.10	57,200.00
Ionia State Hospital	19,725.13	19,725.13	19,725.13
Michigan Home and Training School	189,250.00	189,250.00	66,000.00
Farm Colony for Epileptics	404,670.40	392,170.40	232,580.40
Michigan Reformatory	3,600.00	3,600.00	3,600.00
Branch Prison at Marquette	73,000.00	64,000.00	17,100.00
Industrial School for Boys	142,781.00	142,781.00	11,258.00
Industrial Home for Girls	65,376.00	13,776.00	4,836.00
State Public School	29,738.22	17,391.27	10,894.00
Employment Institution for the Blind	18,600.00	2,600.00	1,250.00
Michigan School for the Blind	85,317.25	85,217.25	13,250.00
School for the Deaf	93,968.10	35,500.00	38,700.00
State Sanatorium	94,875.00	53,125.00	50,575.00

- Mr. Lord: Do you have anything to do with the maintenance of institutions as far as current expenses are concerned?
- Mr. Murray: Only so far as eight institutions are concerned.
- Mr. Lord: Do you have anything to do with the recommendations for the purchase of lands, etc.?
- Mr. Murray: It is included in the estimate of the eight out of nineteen institutions.

Of course, you know what the situation was at the last session of the legislature. They were confronted with a great many deficiency bills owing to the increase in the cost of food stuffs, etc. Current expenses had increased beyond anyone's expectations, and they were called upon to increase the amount. Probably no legislature for years had been confronted with the situation that confronted the last one. Of course, in the matter of contracts for buildings, it was a big item, the cost being thirty per cent up more than it was two years ago.

- Mr. Lord: You say that you have nothing whatever to do with approving the amounts appropriated for current expenses?
- Mr. Murray: No, I don't say that. We would have as far as the eight schools are concerned.
- Mr. Lord: Enumerate those schools, will you, Mr. Murray?
- Mr. Murray: Michigan School for the Blind; Industrial Home for Girls; State Public School; Michigan Soldiers' Home; Industrial School for Boys; Michigan Employment Institution for the Blind; State Sanatorium and Michigan School for the Deaf.
- Mr. Lord: In former sessions of the legislature, how closely has the appropriation, taking it in the aggregate, for these same institutions, met your recommendations?
- Mr. Murray: I don't know. As a matter of fact, this is the first time, I have ever compared the appropriations with the amounts asked for.
- To give you an idea of what the legislature will do notwithstanding the recommendations of this board, I will say that Dr. Christian asked for two cottages for patients with a capacity of 100 each. This board disapproved one on the grounds that the institution at Wahjamega would be enlarged so as to take care of the Feeble Minded and Epileptics now at the Pontiac State Hospital. At the time that the legislature was considering these requests, Dr. Christian had a waiting list of fourteen, the net increase in his institution for the last biennial period had been ninety; with this information before the legislature, the House cut out any appropriation whatever for additional room at the Pontiac State Hospital. The Senate Committee stood pat on the proposition as they favored the granting of one cottage, and they finally came together and gave Dr. Christian one cottage.
- Mr. Lord: Mr. Murray, you have the authority to approve the transfer of funds in the institutions; what does that mean?
- Mr. Murray: That means if the legislature in one act makes an appropriation for more than one purpose and there is a surplus remaining in one fund, and the fund created for some other purpose is insufficient, the surplus may be transferred upon the approval of this board and the Auditor General. That would not apply to two different acts. For instance, if the legislature of 1917 made an appropriation by one act to contract for one cottage, and by another act to contract for another cottage, we would not be able to transfer, but if the legislature appropriates for three or four purposes in one act, funds may be transferred.
- Mr. Lord: Among your activities, you are required to inspect county jails, county infirmaries, etc. What is the object of the state meddling with the county's business?
- Mr. Murray: That is not even a debatable question. The state should have supervision over all county jails, etc.
- Mr. Lord: Don't the supervisors attend to that?
- Mr. Murray: They may be supposed to, but they won't.
- Mr. Lord: They won't because the state is constantly poking its nose into their business.
- Mr. Murray: No, I don't think so.
- Mr. Lord: Who makes those inspections?

- Mr. Murray: I do considerable of the work. However, Mr. Loutit who is in the western part of the state takes eight or ten counties. Mr. Jopling used to work all the Upper Peninsular, Mr. Fisher is a comparatively new man.
- Mr. Lord: Do these members make a report to the board when they make inspections?
- Mr. Murray: Yes, sir.
- Mr. Lord: Do you have those reports on file?
- Mr. Murray: Yes, sir.
- Mr. Lord: Do you also have authority to inspect city jails, etc?
- Mr. Murray: Certainly, and village jails, police stations, etc.
- Mr. Lord: Do you think it is the proper thing for the state to do?
- Mr. Murray: We do. We have accomplished considerable good.
- Mr. Lord: It would seem to me that a city the size of Lansing, for instance, could handle its own police station, etc, and look after it properly without interference on the part of the state.
- Mr. Murray: Lansing does look after them, but we can cite you a good many that don't.
- Mr. Lord: Isn't it a matter really of local concern?
- Mr. Murray: We don't think so. There seems to be no question about it at all in any state where they have a State Board of Control. Why don't you say it is none of the business of the Board of Health what the water system is in a city?
- Mr. Thompson: I would like to have you make your statement briefly as to the reason for the state board having jurisdiction over this line of work.
- Mr. Murray: Of course, the principal reason is that the county authorities don't bring the standards up to what they should be. Your county jails are state institutions in a way and your circuit court is also. The principal reason is that your county authorities will not give the matter proper attention.
- Mr. Thompson: Better supervision by the state than by local authorities?
- Mr. Murray: That would seem to be true. Before the board had authority to close county jails, we closed six jails through the County Circuit Court Commissioner. Those were four years ago; we have not closed a county jail since 1914.
- Mr. Thompson: What has been the result of your supervision of County Infirmaries?
- Mr. Murray: The conditions have been very much improved. Sixty per cent of the counties have had improvements made by way of water systems, lighting, ventilating, etc.
- Mr. Thompson: Does that result in a saving of money for the people, or improvement of service?
- Mr. Murray: It would result in better care of men and women in the institutions.
- Mr. Hinkley: In doing this work that we are discussing, are you doing it on your own initiative or because you are authorized to do it by law?
- Mr. Murray: The law requires that once every year we inspect every county jail and infirmary. We follow the law, except two years ago when we did not have funds enough.

- Mr. Hinkley: When the members go out to do that work, they simply get their expenses?
- Mr. Murray: That is all that they ever get, even for attending meetings of the board, etc.
- Eight out of nineteen institutions must submit to this board a detailed statement of what was expended by them during the fiscal year, also showing in detail what they estimate they are going to spend for every item for each of the next two years. The law provides that the Board of Trustees of the State Hospitals meet annually with the Board of State Auditors and fix the per capita, subject to the approval of the Governor. This board recommends to the legislature what appropriation shall be made, but the legislature appropriates what it may see fit. Mr. Mathews tells me that they really don't meet with the Board of Trustees.
- Now, here's another angle; the per capita cost of the Michigan Home and Training School is fixed by the Board of Control of that institution together with the Board of Auditors, subject to approval of the Governor. They show at that meeting what they have expended for current expenses, and what they estimate they will spend for the next two years, and then, after it is approved by the Board of Auditors, it goes to the Governor for approval. The same thing applies to the Farm Colony for Epileptics. There really are three or four ways of getting the per capita rate for state institutions.
- Mr. Lord: These classifications are, as far as you can find out, made without reason, but are statutory?
- Mr. Murray: They are statutory. I can't see any reason for them. It should be uniform. I think some board or department should pass upon the matter of estimates for current expenses.
- Mr. Thompson: From your experience with this State Board of Corrections and Charities, do you think a board to control similar institutions entirely, would be advisable, or not?
- Mr. Murray: I don't see where you would be at any particular advantage that way. You would have three or four boards in place of one board for each institution, together with a board that would have general advisory authority.
- Mr. Lord: Do you think that the asylums would be better governed by one board than they are now?
- Mr. Murray: I think where every institution has its separate board, the board members give it more attention than one board would give five or six institutions.
- Mr. Lord: The same argument would apply to every class of institution, would it?
- Mr. Murray: Yes, sir.
- Mr. Lord: How much attention do the present boards give to their work now?
- Mr. Murray: I don't know.
- Mr. Lord: Have you ever given any study or thought to the matter of the control of institutions in other states; the centralization of control?
- Mr. Murray: I have heard it discussed some and have read about it some.
- Mr. Lord: Have you ever made any comparison of costs?

- Mr. Murray: I have made comparison of costs with the State of Ohio, which has a board of Administration.
- Mr. Lord: How does the cost of institutions in Ohio, under that board, compare with the cost of institutions in Michigan?
- Mr. Murray: Their cost exceeds ours. (Copy given to commission).
- Mr. Thompson: What year was that for?
- Mr. Murray: Last year.
- Mr. Lord: You really are not an advocate of centralization of authority?
- Mr. Murray: I have not been convinced that it is any better, or as good, as Michigan's present system. I am open to conviction.
- Mr. Lord: Is Ohio the only state that you have ever made any comparative statement with?
- Mr. Murray: Yes. That is the state that one member of the 1917 legislature saw fit to call attention to and that is what prompted me to undertake to find out.
- Mr. Lord: What did you have included in that cost?
- Mr. Murray: Current expenses; we did not compare with special purposes or expenses.
- Mr. Lord: There might be some differences in what constituted current expenses in Ohio and those in Michigan.
- Mr. Murray: I cut out a lot of costs that Ohio had that Michigan does not have.
- Mr. Lord: Did you send a copy of that comparison to the Board of Administration in Ohio?
- Mr. Murray: No sir.
- Mr. Lord: I think I would do that if I were you.
- Mr. Murray: I spent three hours in going over the matter with Mr. Shier, who is Secretary of the State Board of Charities of Ohio. I got the figures from the Auditor of the State of Ohio.
- Mr. Lord: Are you in favor of a state architect?
- Mr. Murray: I don't think I am.
- Mr. Lord: Do you know what it has cost the State of Michigan for services of architects?
- Mr. Murray: No, I don't know.
- Mr. Lord: Why don't you think it would be advisable to have a state architect?
- Mr. Murray: Some three years ago, I consulted with several states regarding the matter and, I think, with one or two exceptions, it did not appear to be working out satisfactorily. I have not gone over these and refreshed my memory, but I think it was three or four years ago I consulted with Amos Butler of the Indiana board; with the New Jersey board and a number of others. I am not strong on the proposition one way or the other, and have not made investigation enough to warrant me in taking any particular views on the subject.
- Mr. Thompson: Is it your judgment that your supervision of building buildings has been beneficial?
- Mr. Murray: The plans, as far as sanitary conditions are concerned, are passed on by the State Board of Health before we pass on them. Ordinarily the man at the head of a state institution knows better the kind of arrangement he wants for a particular institution. The plans are never approved by this board until the State Sanitary Engineer has adopted and passed upon them.

- Mr. Lord: Do you know of any state institution that has farm lands that they don't use?
- Mr. Murray: We know of state institutions that have farm lands that they don't use to a very good advantage.
- Mr. Lord: Where are they?
- Mr. Murray: Well, two I would mention, Michigan School for the Deaf at Flint and the State Sanatorium at Howell.
- Mr. Lord: To what use do they put those lands that they are a losing proposition?
- Mr. Murray: The Board took this position. We doubted the advisability of ownership of farms in connection with institutions where the inmates of that institution cannot be employed; for instance, the School for the Deaf uses few, if any, of their inmates and they don't and can't at Howell. We went on record quite strongly with reference to the institution at Howell.
- Mr. Lord: What is the nature of your supervision of the county agency system?
- Mr. Murray: The county agent is appointed by the Governor upon recommendation of this board, and he holds his office during the pleasure of the Governor.
- Mr. Lord: What supervision do you have over him?
- Mr. Murray: He is the agent for this board in his county, makes reports to this board of all work done in Juvenile Court, or in making investigations of homes where children have been placed out.
- Mr. Lord: What authority have you in the matter of expenses of the county agent?
- Mr. Murray: The County Agent in making his claim for expenses makes it in duplicate; this is approved by the institution, and then the Probate Court certifies that his report has been filed with him, and that is all we can certify to. When the claim reaches this office, after having been certified to by the Probate Court and institution ordering the investigation, and if his report is on file, we certify and turn it over to the Board of State Auditors. It would be presumptuous for us to pass upon the amount of time that the county agent spent in investigating a case. So far as the Judge's signature and the signature of the secretary of this board are concerned, we can't go any further than to certify that the county agent has complied with the law in filing those claims with us.
- Mr. Lord: How much did the county agency system cost Michigan last year?
- Mr. Murray: We don't keep those reports.
- Mr. Thompson: What is your thought as to the future, and how you benefit the state by your work; what changes in plan of operation will work a benefit; what your program would be if you put it through, and what will be the effect of war and prohibition on your work?
- Mr. Murray: Of course, we have not as yet mapped out any program to present to the legislature. A year from now we would have our plan mapped out.
- Mr. Lord: You made a number of recommendations last year; what additional recommendations; can you get at it that way?
- Mr. Thompson: We are asking you these questions because you are the

man who is dealing with these problems. What, in your opinion, is or will be the effect of the war on your problems?

Mr. Murray: I don't know what the effect will be. My opinion is that it will increase the population in the state hospitals. It will not have any effect on feeble-mindedness and epilepsy, but it will later increase the number of commitments to our state hospitals.

Mr. Thompson: What do you think of the effect of prohibition?

Mr. Murray: Now, that would apply to the population of county jails, etc. My personal opinion is that prohibition will tend to decrease our jail and prison population.

Mr. Thompson: What, in your judgment, will reduce the population, which is dependent upon charity or public aid?

Mr. Murray: Do you mean the population of our child caring agencies?

Mr. Thompson: I mean all indigents.

Mr. Murray: I believe the population will decrease under prohibition as regards these classes of institutions.

Mr. Thompson: What do you regard as the fundamental cause or underlying thing that increases this population dependent on the state; disease, drunkenness, or what?

Mr. Murray: I don't believe there has been any increase in the number in the county infirmaries.

ADVISORY BOARD IN THE MATTER OF PARDONS

Mr. Lord: Dr. Shumway, will you make a statement setting forth the activities of the Pardon Board; just what you do, what your duties are, what you have accomplished, and what changes, if any, you would recommend in the laws relating to your functions, etc?

Dr. Shumway: Well, as you understand, this board was created for the purpose of taking up matters, and advising the Governor, who hasn't time to investigate them, of parole, pardon, commutation of sentence, etc. The board is composed of three members, and the executive clerk to the Governor is secretary of the board.

The law requires this board to meet once every month at the Jackson Prison, Ionia Reformatory, and the Detroit House of Correction, and once every three months at the Branch Prison at Marquette.

The indeterminate sentence law gives every prisoner, except, of course, life men who are in for murder, the right, at the expiration of their minimum sentence, to make application to this board for release or pardon or parole. In the early days of the pardon board, back in 1900, the average number of cases reviewed at each monthly meeting at the three prisons would be in the neighborhood of from fifteen to twenty, possibly twenty-five cases. At the present time our cases will average some fifty to sixty at most every meeting and have gone as high as eighty-two cases at a meeting. These men are allowed a personal interview, the files are gone into, and the necessary time taken to thoroughly investigate all the facts surrounding the individual case. In many cases it is necessary to visit the locality where the crime was committed and interview the officers and others conversant with the facts at the time of the commitment of the crime, so that with our increased duties, the work of the board is much greater than it was five or ten years ago.

Mr. Lord: After you have made your investigations of the applicants for parole or pardon, what do you do then? Have you the authority

to grant the parole yourself, or is it a matter of reference to the Governor?

Dr. Shumway: If they have served their minumum sentence, it is up to the board to parole. If, in the judgment of the board it is a matter of pardon at that time, we recommend to the Governor. Many cases come to us before the minumum has expired for commutation of sentences, sometimes through recommendations from the Judges themselves, who have had facts come to them after the trial that convince them that they have given too severe a sentence, and they recommend that the minumum be commuted. These cases go to the Governor; he alone has the power of commuting the sentences. But all cases, murder cases and all, the Governor has not the time to investigate them, and, therefore, he refers everything to the board and acts on our recommendations.

Mr. Lord: Dr. Shumway, how many cases did you take up last year?

Dr. Shumway: 2300.

Mr. Lord: How many paroles did you grant, and how many pardons and commutations of sentences did you recommend to the Governor?

Dr. Shumway: We granted 1006 paroles and recommended 31 commutations of sentences but did not recommend any pardons.

It takes more time now for the hearings at the prisons than it used to; for instance, the time taken now will average three or four days at Jackson, whereas one day used to be sufficient. We are allowed compensation for only two hundred days during the year, so that really we have neglected to thoroughly investigate cases where it became necessary to go to the localities where the crime was committed, as we have not had the time to make thorough investigations. The result has been that cases have had to be carried over.

Mr. Lord: What compensation are the members of this board allowed?

Dr. Shumway: \$7.00 a day, limited to two hundred days.

Mr. Lord: What did your work cost last year, the total cost of the board?

Dr. Shumway: \$7,473.81.

While the work has increased, the expense of the Pardon Board for the last three or four years is less than it was ten years ago when I was on the Board.

Mr. Lord: Don't you think you could do that work alone, as a Parole Agent for the Governor?

Dr. Shumway: That is putting a great responsibility on one man. I have thought of this, Mr. Lord, and don't know as it would lessen the expense. There is no more important board if it is rightly administered. If the Governor had one good representative of judgment and experience; one good outside man and the warden of each institution, acting for his own institution, I believe this would be a good board and their judgment and recommendations would be of valuable assistance in the work. This has been talked of somewhat in our Penology Commission meetings. Some objected to the Warden acting on such a board on account of discipline, claiming that, where the boys know that the warden has the say, that it will hurt the discipline of the prison. But it would be a help. From the warden you would get information as to the conduct of the prisoner since his entering the prison, the effect of his confinement, what effect it has

had on him, whether there is any evidence of reformation, what his conduct has been and whether it merits clemency at that time. From the outside man you can get the information necessary in the localities where the crime was committed; these two men with the Governor's representative, I believe would make an ideal combination.

Mr. Lord: You would have the warden of the prison act with yourself and the executive clerk, for instance, in his own institution?

Dr. Shumway: Yes, sir.

MICHIGAN FISH COMMISSION

Mr. Lord: Mr. Bower, you are the Superintendent of the Fish Commission?

Mr. Bower: Yes sir.

Mr. Lord: Will you state in a general way, as briefly as possible, the various activities of the Fish Commission—what it is doing now, what it has done, and what it proposes to do in the future?

Mr. Bower: Prior to 1896 the Fish Commission hatched what we call commercial fish, as well as fish of inland waters. We had hatcheries at Detroit and one at the Soo and a temporary hatchery at Charlevoix where we hatched white fish, but in 1893 the Commission got into a big row with the commercial fishery and they tried to abolish the Fish Commission, and it did succeed in taking away the appropriation for commercial fish.

Mr. Lord: What was the nature of the opposition?

Mr. Bower: The President of the Board, Mr. Whitaker, urged excessive restrictive laws that would absolutely do away with commercial fish. The result was that the commercial fishery attacked the fish commission, justly, I think. They took away our appropriation and no appropriation was made for four years. Then the United States Fish Commission stepped in and said that if we would lease our hatcheries to them, that they would operate them and it wouldn't cost the state a cent. Of course, with that proposition before us, we could not get an appropriation and never have gotten one since.

Mr. Lord: Have you any more than the Detroit hatcheries that are leased to the Federal Government?

Mr. Bower: One-half of the Soo Hatchery is also leased to it. Since that time our work has been confined to inland waters, or practically so. We have sometimes put them in the St. Mary's and in the Detroit rivers.

Mr. Lord: Are the commercial fishermen licensed in any way?

Mr. Bower: The Game Warden's department has charge of that. They have a boat license.

Mr. Lord: In your work is there any duplication of effort so far as the Fish Commission and the Game Wardens' department is concerned?

Mr. Bower: No, not especially so. Off-hand I do not recall any duplication, although I think myself—it is my own personal opinion—that the two departments should be united. We could help them and they could help us.

Mr. Lord: In what way should it be united?

Mr. Bower: To consolidate the fish commission with them under one

head, although I think the work of the two departments should be kept separate as much as possible. However, with one non-salaried board, say five men, two could have charge of the fish commission, two oversee the game warden department's activities, and one act as Secretary.

Mr. Lord: Do you think that it would save the State any money?

Mr. Bower: I don't know that it would save the State any money.

Mr. Lord: What benefit would there be then in the consolidation?

Mr. Bower: Well, of course, the warden's department has deputies scattered throughout the state. If they were under our control we could utilize them by having them plant fish and do field work of one kind or another. We have only five hatcheries and in some parts of the State we are not represented at all.

Mr. Lord: You think by getting the services of the employees of the game department, you would be able to dispense with the services of some of the employees of your department?

Mr. Bower: No, I don't think so.

Mr. Lord: Do you mean that you would use them in addition to your present employees?

Mr. Bower: Yes, you see our men plant no fish now to speak of. They simply operate the hatcheries and collect the eggs and do work of that kind.

Mr. Lord: Then there would not be any benefit from an economic standpoint by a consolidation of the two departments?

Mr. Bower: There would not be a great deal but it would increase the efficiency.

Mr. Lord: Where you increase the efficiency, Mr. Bower, don't it result in the saving of money?

Mr. Bower: Either that or produces more fish.

Mr. Lord: We would get larger and better results from the same money?

Mr. Bower: Yes.

Mr. Lord: Now, Mr. Bower, what are your plans for the future?

Mr. Bower: Well, we want to go on along much the same lines that we are. We would like to expand—the demand for fish is way beyond our producing capacity.

Mr. Lord: What appropriation did you have for the last two years?

Mr. Bower: 1914	\$52,007.00
1915	49,177.00
1916	57,056.00
1917	47,241.00

The last session appropriated for the
fiscal year ending 1918

68,184.00

Mr. Lord: For what purpose was that increase asked?

Mr. Bower: To increase our output and build more ponds. We build a pond or two every year or so. The appropriation granted us for 1919 is \$58,309.00

Mr. Lord: What particular benefit is this spawning of fish to the people of the State—I mean the general public?

Mr. Bower: Well, it is to keep up and increase the supply of fish. Of course, in this State, for example, there were no brook trout in the greater part of the Lower Peninsula until they were planted. The

southern limit was Boardman River. This was also true as to Rainbow trout.

Mr. Lord: Does the general public reap any benefit at all from the spawning of these fish, or isn't the benefit confined to the sportsmen and fishermen?

Mr. Bower: That is true to a considerable extent as regards trout, but we are planting bass, perch, blue-gills, and other fish.

Mr. Lord: What per cent of the general public reap any benefit?

Mr. Bower: There are certain benefits that you can't perhaps value in dollars and cents.

Mr. Lord: What are they?

Mr. Bower: Well, for instance, the outing and recreation.

Mr. Lord: You think the general taxpayers of the state should have to pay for the outing and recreation of sportsmen and fishermen?

Mr. Bower: Well, the fair way to do it would be to pay every dollar out of the license fund. If every man over twenty-one years of age would pay one dollar a year, it would give us more money than we are getting now and we would hatch more fish and it wouldn't cost the taxpayers a cent, and nobody would have to pay unless they fished.

Mr. Lord: Wouldn't the enforcement of that law and the collection of the tax cost as much as if the legislature made an appropriation?

Mr. Bower: I do not think it would cost very much.

Mr. Lord: Wouldn't the result of a license tax, as you propose, shut out a lot of poor people from the privilege of catching the fish? Would it not result in sort of a close corporation, consisting mostly of sportsmen and fishermen?

Mr. Bower: Under our law all the fish that are in the public waters belong to the State of Michigan. Now, if a man helps himself to state property, I don't see why he shouldn't contribute to the maintenance of that property. However, if the Superintendent of the Poor should make a statement that such a man should have a free license, I would give it to him.

Mr. Lord: Couldn't we carry it much farther and say that the state should engage in raising seed for the farmers?

Mr. Bower: That is a different proposition. You can control land and can buy it. You can't buy public waters and no one man is going to see that the waters are stocked with fish. It has to be done by the state.

Mr. Lord: How many states are engaged in the same kind of business on such a wide stretch as this state is?

Mr. Bower: New York has a considerable larger appropriation than we get.

Mr. Lord: Well, New York is a larger state.

Mr. Bower: We have far more waters than New York. Pennsylvania has a larger appropriation than we. Wisconsin does and also California.

Mr. Lord: Have these three states that you mentioned a Board of Fish Commissioners that control these matters?

Mr. Bower: Every state, nearly, has a different way of handling it. In the state of New York they have a conservation commission, by which the protection of forestry work, etc., is also taken care of.

- Mr. Lord: Then that appropriation of which you speak in New York covers more things than fish culture.
- Mr. Bower: They devote more money than we do to fish culture.
- Mr. Lord: Are these the only three states that have any control whatever of the fish culture?
- Mr. Bower: Nearly every state has a fish commission. There may be a few that have not. South Carolina hasn't.
- Mr. Lord: What does it cost per unit to spawn?
- Mr. Bower: You couldn't fix a standard for that. The same effort one year would not get you the same production that the same effort another year would get you.
- Mr. Lord: Can you give us an average for a period of, say five or ten years?
- Mr. Bower: You mean the fish as they are shipped out, ready to deliver?
- Mr. Lord: Yes, tell us that.
- Mr. Bower: That is a hard thing to figure. Off-hand, I should say that brook trout put out would cost \$1.50 to \$2.00 a thousand. Rainbow trout, probably not quite as much because we get aid from wild fish. We do keep a planted stock, but get a good many eggs outside. Bass, all sizes, would cost two to three dollars a thousand.
- Mr. Lord: Where you receive an application for planting fish, what is the nature of the investigation you make?
- Mr. Bower: We have application blanks that are filled out.
- Mr. Lord: Do you take the word of the applicant or do you follow it up?
- Mr. Bower: We don't follow it up. In a great many cases these waters are well known to us and we have maps, etc., to go by.
- Mr. Lord: Isn't there considerable danger of more or less waste where you fail to make a personal investigation?
- Mr. Bower: No, not if they plant according to instructions.
- Mr. Lord: No, but you don't know that they do plant according to instructions if you don't investigate.
- Mr. Bower: We have a certificate, certifying that they have planted the fish as per instructions, but of course some men will certify to a falsehood, no doubt.
- Mr. Lord: Especially if they want the fish.
- Mr. Bower: We have found that they will take fish supplies from one water and put them in another water.
- Mr. Lord: Now, isn't it a fact, Mr. Bower, that in a number of instances where you have fish for planting that they have never left the station and have spoiled before planting?
- Mr. Bower: No, not in very many cases. Our men are instructed not to leave fish unless a man is there to get them. Of course, every man is requested to go immediately and he may not do it; he may go up town to do some trading, but in most cases they are just as anxious to get results as we are to have them.
- Mr. Lord: Do the applications for fish for planting come to this office?
- Mr. Bower: Yes, sir.
- Mr. Lord: Then what do you do?
- Mr. Bower: We enter them into a record here in this office and number them. Then we file them away by counties and get out the applica-

tion for the same waters and if there is more than one application for fish to be placed in the same stream, one or the other application is thrown out in order to avoid duplication.

Mr. Lord: About how many applications do you receive during the year?

Mr. Bower: We get in the course of a year considerably above 5,000 applications. I don't mean to say that we have 5,000 new blanks, because a good many write in asking to have their applications for the last year renewed.

Mr. Lord: When you have approved all applications, do you designate some particular place, like Paris Station, to ship the fish?

Mr. Bower: The applications are held until the particular kind of fish are ready to go out. Then we make a skeleton copy which we retain here and send the other copy to the station from which the fish are to be shipped.

Mr. Lord: Then the hatchery reports to you that they have been shipped?

Mr. Bower: Yes, sir, we get monthly reports from all hatcheries. If a man fails to reply to his notice, we don't ship the fish. If he does reply and fails to get the fish we give them to someone else, or carry them on and deliver them ourselves. That is why we give a copy to the man in charge of the fish.

Mr. Lord: Do you supply many fish to private waters?

Mr. Bower: Not knowingly.

Mr. Lord: How do you tell that they are not in private waters?

Mr. Bower: We have a man to take his declaration that they are public waters. That is, we don't plant any fish in any waters that are not open to the public.

Mr. Lord: Now, Mr. Bower, I notice in your statement that in 1914-1915, you collected \$40,000.00 in non-resident licenses. What disposition do you make of these funds when you collect them?

Mr. Bower: Well, we use them for a variety of purposes. We use about \$8,000.00 a year to buy brook trout eggs.

Mr. Lord: Do you keep the money here in a bank or is it turned over to the State Treasury?

Mr. Bower: We turn the money over to the Treasurer of the board and he turns it over to the State Treasury. He is supposed to turn it it over shortly after the end of each year.

Mr. Lord: So that from \$20,000.00 to \$25,000.00 a year is in the hands of the commission until the end of the year?

Mr. Bowers: Yes, sir, it is in the hands of the Treasurer. The fees are all turned over to the state at the end of each fiscal year.

Mr. Lord: You collected \$21,279.00 in 1917 up to November 21st. Now do you actually turn over that money to the State Treasury or does your Treasurer turn in the balance left after some expenditures are made?

Mr. Bower: All except refunds for licenses as shown.

Mr. Lord: Why does he want it in his hands until the end of the fiscal year?

Mr. Bower: I cannot tell you.

Mr. Lord: Can you tell me where the money is deposited?

Mr. Bower: I think with the Central Savings Bank, Detroit.

Mr. Lord: Have you any record here of interest on these deposits?

Mr. Bower: No, sir.

Mr. Lord: You really don't know whether the fish commission gets any interest or not?

Mr. Bower: There is none passing through here. If it did we would know it.

Mr. Lord: You have no record whatever of interest on deposits?

Mr. Bower: No, sir, none whatever.

Mr. Lord: Can you tell me about what the average balance is on deposit in the banks? That is, what is your daily balance belonging to the fish commission, or to the state?

Mr. Bower: Well, at the end of every month it would run five, six, eight or nine thousand dollars. Then when the pay roll is paid it pulls it down and it is built up again from appropriation. The Angler's License Fund, however, we don't touch until it is turned into Lansing at the end of the year.

Mr. Lord: Then you have it for use the next fiscal year?

Mr. Bower: Yes. Last year, after the audit by the Auditor General's Department in April, we turned in \$8,000.00. Then the license funds began to accumulate, for, of course, the bulk comes in during July, August and September.

Mr. Lord: I notice that you had an appropriation for a new hatchery in Schoolcraft county. What is the reason for this?

Mr. Bower: That hatchery was put through by Senator Wood because he wanted one in that county. We approved it because it is all right. The money has not been drawn from Lansing as we are having trouble about the site.

Mr. Lord: Is it necessary to have so many hatcheries?

Mr. Bower: Absolutely.

Mr. Lord: Why do we lease any hatcheries to the Federal Government when we need more for the state?

Mr. Bower: Because they are used for commercial fish.

Mr. Lord: Is that granting a favor to commercial fishermen?

Mr. Bower: You could not use this hatchery down here for hatching bass. It is a different water.

Mr. Lord: Was it built for commercial fish purposes?

Mr. Bower: Yes, sir. Of course you can hatch wall-eyed pike.

Mr. Lord: Is it true of the Soo hatchery?

Mr. Bower: It is true of one-half of it. One-half is used for hatching white fish.

Mr. Lord: Could it all be used for lake trout?

Mr. Bower: It would cost more than \$5,000.00 to fix it and then you couldn't hatch brook trout.

Mr. Lord: You say the part used by the Federal Government could be changed?

Mr. Bower: We could use it just as it is for white fish and lake trout. You couldn't use it for hatching bass, blue gills, etc.

Mr. Lord: How much would it cost to change the hatchery here in Detroit for state purposes?

Mr. Bower: You couldn't utilize this hatchery except for the kind of fish we hatch there now. The fault is with the water.

Mr. Thompson: Couldn't you use it for some other kind of fish?

- Mr. Bower: Well, wall-eyed pike and it could be equipped for lake trout.
- Mr. Thompson: Could it be easily equipped to hatch any other kind, used in inland waters?
- Mr. Bower: No, sir.
- Mr. Lord: State the kinds of fish that you hatch, Mr. Bower.
- Mr. Bower: Brook trout, rainbow trout, lake trout, small bass, large bass, blue gills, perch and wall-eyed pike. That practically covers it.
- Mr. Thompson: Is your demand for wall-eyed pike fully covered by present facilities?
- Mr. Bower: We can take care of wall-eyed pike better than any other kind of fish.
- Mr. Lord: Would it not be advisable to cancel this lease and supply the state with wall-eyed pike?
- Mr. Bower: The government is going to quit it anyway. We will have it on our hands in a few months.
- Mr. Lord: You won't need any appropriation for wall-eyed pike?
- Mr. Bower: No, sir.
- Mr. Lord: What we are trying to get at, Mr. Bower, is whether or not you could do with a less number of hatcheries?
- Mr. Bower: The fact is, what the state needs to keep up its fish supplies is a hatchery for every three or four counties. A hatchery where we would not have flower beds, etc., but a small station where you could plant your own fish and then you could keep the lakes very well stocked.
- Mr. Lord: What would be the result if there was no planting of fish at all and a law enacted restricting the catching of fish?
- Mr. Bower: I think that there would always be some fish.
- Mr. Lord: Would the general public get as many fish as they are getting now?
- Mr. Bower: Oh, no. There is a large demand on the part of the general public for trout, for instance.
- Mr. Lord: Isn't the demand greater for commercial fish?
- Mr. Bower: We have a larger number of applications for lake fish than for brook trout. The kinds of fish that we need to hatch more and more, and the demand is constantly increasing for, are the lake fish. We come nearer to supplying the demand for brook trout and rainbow trout, wall-eyed pike, perch, etc., than we do for the lake fish.
- Mr. Lord: Mr. Bower, who makes the appraisal of these properties that the fish commission has control of?
- Mr. Bower: Years ago I used to go around and go over the grounds with the local superintendent myself, but recently I either take their word for it or go over it after the final review is done.
- Mr. Lord: Now, Mr. Bower, I notice in your payroll that you have a number of employees at the Detroit Station. Why is that necessary if it is under the Federal Government?
- Mr. Bower: We operate it for wall-eyed pike in the spring. That requires one-half dozen men or sometimes more for a short time. A part of the payment we get for use of this hatchery is from the Government. They turn over a certain number of wall-eyed pike to us according to the success they have in making collection.

- Mr. Lord: Is that all you get from the Federal Government for this lease?
- Mr. Bower: They pay the current rent and keep it in repair.
- Mr. Lord: The state does not own the grounds?
- Mr. Bower: They lease the ground for \$425.00 a year. They have paid that and kept it in good repair. At the Soo hatchery they pay the overseer for two months and one man for two months and then they put on extra help to take care of their part of the work. We get a good bargain as far as that is concerned.
- Mr. Lord: Another thing in connection with the payroll is that the same names are on your payroll for different stations for the same month. How does that happen?
- Mr. Bower: We shift our men around a good deal. We charge the different hatcheries for the time they spend there.
- Mr. Lord: Do you think that the employment of all these men is absolutely necessary to carry on your work?
- Mr. Bower: Yes, sir; we could not dispense with any of them. Our men are employed and work on their merits.
- Mr. Lord: What is the nature of their work? What do they do? For instance, give us a day's work.
- Mr. Bower: It depends entirely upon the season. At Paris Station, for instance, there are fish to feed, screens to clean, eggs to be collected, young fry to be shipped, and current repairs to be attended to. I was up there last week and went through the woods surrounding the grounds and found a lot of down timber not valuable timber, that will be wasted unless it is cut into wood, so I told them to put a crew of three or four men on and save the wood. If we don't need it we can sell it for more than it costs. Then another thing, when we are putting out fish we send a great many out by special messengers. The same way at Mill Creek and Drayton Plain station.
- Mr. Lord: Which is your largest station?
- Mr. Bower: Well, Paris and Mill Creek are really the most important stations.
- Mr. Lord: Harrietta is not very large?
- Mr. Bower: It is a new station.
- Mr. Lord: You had more employes there than at the other stations.
- Mr. Bower: We may have been doing some special work. They are really all engaged in the same character of work, outside of the work covered by special appropriation such as building ponds, etc.
- Mr. Lord: These hatchery superintendents are all capable, are they?
- Mr. Bower: Our hatchery superintendents are all experienced. I don't know how many years Mr. Marx at the Paris Station has been with us. I have been here twenty-five years and he was here when I came, also Mr. Lydell of Mill Creek. The man at Drayton Plains has been there eighteen years. Mr. Lydell is assistant superintendent and is stationed at Mill Creek.
- Mr. Lord: Do you have an assistant superintendent at each station?
- Mr. Bower: No, we call them overseers.
- Mr. Lord: Does Mr. Lydell do any work here in your office?
- Mr. Bower: No, it's this way: A number of years ago Mr. Lydell was offered a position with another state at a salary of, I think, \$2,500.00 a year. At that time we were paying him \$100.00 a month. We

didn't want to lose him and he really didn't want to go. Finally, he said he would stay if we would make his salary so much, not as much as it is now, and we did but in order to do so and, in order that the other hatchery superintendents would not expect the same salary he was getting, they created the position of Assistant Superintendent.

Mr. Lord: What do you pay him now?

Mr. Bower: We pay him \$140.00 a month.

Mr. Lord: You think he is really worth that much?

Mr. Bower: I know where he can get \$3,000.00 a year now.

Mr. Lord: Who is Harold Bower?

Mr. Bower: He is my son, and is clerk here in the office. He takes care of the Angler's License funds and does clerical work.

Mr. Lord: How many clerks have you in the office?

Mr. Bower: We have two clerks here.

Mr. Lord: What do you pay them?

Mr. Bower: We pay them each \$20.00 a week.

Mr. Lord: In the matter of equipment, do you think you need any new equipment of any kind at any of your hatcheries, or in the office?

Mr. Bower: Why, there is no limit, of course, to the amount of expansion.

Mr. Lord: I am not talking of expansion. Just your present stations and offices.

Mr. Bower: No, nothing now, I guess. We are pretty well provided for.

Mr. Lord: You don't think you will need any special appropriation next year?

Mr. Bower: Not unless we expand.

Mr. Lord: Can you tell us what per cent of the people in the state make application for fish to plant?

Mr. Bower: It is pretty hard to say. We get a great many applications from clubs.

Mr. Lord: What kind of clubs?

Mr. Bower: Angling clubs, sporting clubs, etc.

Mr. Lord: Most of them come from clubs?

Mr. Bower: No, I would not say most of them; a great many of them do.

Mr. Lord: You say you couldn't tell us what per cent? You have a record of the applications you receive for fish for planting. How many did you receive last year?

Mr. Bower: We have probably around five thousand a year on an average.

Mr. Lord: So that the per cent of the population is very small that makes application for fish?

Mr. Bower: We get more applications than that. A great many are duplicates and we throw them away, of course. Many apply for fish for waters that run through several counties.

Mr. Lord: Of this five thousand you receive, how many come from clubs?

Mr. Bower: I should say that perhaps one-third.

Mr. Lord: What is the nature of the other applications? Who are they generally from?

Mr. Bower: Well, from a variety of people.

Mr. Lord: People noted for sportsmanship?

Mr. Bower: Yes, a good many, and we get a good many from farmers, sportsmen's clubs, etc.

Mr. Lord: Are the applications from farmers for the purpose of getting fish for private waters?

Mr. Bower: Well, I suppose in some cases that is so, but he has to certify that the water is open to the public.

Mr. Lord: About how many farmers make application, five hundred?

Mr. Bower: Oh, more than that out of the five thousand, and a great many more of them are interested in this way. People in villages, sportsmen, apply for fish for a lake or stream and get some farmer to come to the station and get the fish.

Mr. Lord: How many licenses did you issue to non-residents?

Mr. Bower: About twenty-five thousand.

Mr. Lord: What do they pay?

Mr. Bower: They pay one dollar for the license. That allows them to fish for everything but trout. Trout license is \$3.00 and when they have a trout license, that covers everything. The last legislature raised the trout fee to \$5.00 against my protest. I think it was a mistake. The great bulk of the license money comes from the one dollar license. We get one-third, yes, nearly one-half, on the licenses issued in the two border tier of counties in the south part of the state. From ten to fifteen per cent of every dollar we get comes from Cass county.

Mr. Lord: Mr. Bower, what steps or methods do you take to enforce the law?

Mr. Bower: We have nothing to do with enforcing the law. It is done by the Game Warden's Department.

Mr. Lord: So, as far as you know, two thousand people might be fishing without paying licenses?

Mr. Bower: There might be.

Mr. Lord: The Board of Fish Commissioners collects the revenue from the issued licenses and the Game Warden's Department has charge of enforcing the law.

Now, you speak of having a number of small hatcheries. Can you tell us approximately what a small hatchery would cost if you standardized them throughout the state. What the cost would be of an ideal small hatchery?

Mr. Bower: I think hatcheries such as I have in mind could be established on an average of from five to eight thousand dollars a piece. Possibly ten in some locations.

Mr. Lord: After you had established such hatcheries, what would be the annual cost of maintaining one?

Mr. Bower: The way I would run it, it would cost not to exceed \$5,000.00 a year. I would run it in a semi-wild condition, not as a park. I would not have flower beds or any of those frills connected with the hatcheries now.

Mr. Lord: The hatcheries are maintained in quite nice shape, are they? Does that require much help to take care of the shrubberies, etc.?

Mr. Bower: It requires one man at every station and there are times when he has to have a little help.

Mr. Lord: You think that could be dispensed with?

Mr. Bower: I don't know as to those that are established, as to their being dispensed with, but there is a reason for it too. I have noticed that when the committee from the legislature goes around to look at these stations they judge from the general appearance of things. The station that looks the nicest is the one that is likely to get the most money, not the one that is the most efficient.

Mr. Thompson: It would cost about \$2,000.00 a county to maintain these small hatcheries a year.

Mr. Bower: Yes, all of which and more too could be raised by Angler's License Funds and dispense with the appropriation. I would have an Angler's license applying to men only, above the age of twenty-one years. I would not make that license more than one dollar for residents. Possibly a little higher for non-residents. Then I would have it arranged so that the proper officials of the township or county could write in and apply for exemptions, certifying that certain parties in that township or county were too poor to take out licenses and we would issue licenses free. I would make the fee, as I said, one dollar. After running a year or two, it is possible that the fee might be reduced, but I believe a license on that basis would give us money enough to establish these small stations over the state at the rate of three, four or five a year and maintain them. I think it would increase the efficiency of the Fish Commission wonderfully and it would not cost anybody a dollar, only the man that fished and not him if he was a poor man and could not afford to pay it.

Mr. Lord: Mr. Bower, how often do you have board meetings?

Mr. Bower: The board meets very irregularly. No fixed time for the meetings. It is almost impossible to get them together.

Mr. Lord: On an average, how many meetings do they have a year?

Mr. Bower: Not over three, sometimes only two. One of the members lives here in Detroit, one in Saginaw and one in Houghton, and it is pretty hard for them all to get together.

Mr. Lord: Do you have a record of those meetings?

Mr. Bower: Yes, sir.

(Record shown).

Mr. Bower: We keep in pretty close touch with the commission because I make a financial report every month to each of them, giving a certified copy of the bank balance, and this year I have begun to make a quarterly report.

Mr. Lord: I notice that on the third day of last October, your treasurer had a balance in his hands of \$19,457.00.

Mr. Bower: Yes, sir.

Mr. Lord: Now, your meeting previous to that October meeting was held in May?

Mr. Bower: Yes, sir. Of course, they get together informally sometimes and we correspond more or less.

Mr. Lord: Do they really take an actual interest in the work of the Fish Commission or is it really all conducted by yourself, as an actual fact.

Mr. Bower: Well, very largely by myself. They are, of course, non-salaried. It's really not the fault of the men, if there is a fault, it is with the system.

- Mr. Lord: Isn't it a fact, Mr. Bower, that the board is entirely guided by you?
- Mr. Bower: Well, in many instances they approve of my recommendations and then again they don't.
- Mr. Lord: Mr. Bower, what is the nature of the supplies of all kinds that you purchase?
- Mr. Bower: That takes quite a wide range; tools of all kinds.
- Mr. Lord: What kind of tools?
- Mr. Bower: Well, at Paris Station we have, within the last year, or two, purchased a complete set of farmer's tools because there we have fifteen or twenty tillable acres of land. This last spring I directed all the overseers at the stations to raise all the crops they could on their tillable land.
- Mr. Lord: Do you purchase the agricultural implements and other equipment?
- Mr. Bower: The local Superintendents do most of the buying. Sometimes on large matters like five hundred cans, I do the buying myself. I buy these cans of a big can manufacturing concern here in Detroit.
- Mr. Lord: So that you have one-half dozen, or more, men purchasing supplies for the Fish Commission. Do they buy from local people usually?
- Mr. Bower: To some extent.
- Mr. Lord: Have you ever made any investigation, as Superintendent of the Fish Commission, as to whether the man doing the purchasing is getting all he should get for the money he is spending?
- Mr. Bower: Very frequently.
- Mr. Lord: Have you ever had any occasion to criticise?
- Mr. Bower: Yes, in some cases but I think as a rule they have done the best they could.
- Mr. Lord: How are they supplied with money to make these purchases?
- Mr. Bower: Until last year if he bought with money he furnished the money himself but during the last year or two we have made some advances to him. I think we have about eight or nine hundred dollars out now to the superintendents of various stations, including myself.
- Mr. Lord: Do you require these men to give any bonds?
- Mr. Bower: No, sir. They make requisitions each month. All of these hatchery purchases are made on requisitions with exception of fixed charges, which include salary of local superintendents, my own salary, office rent, telephone and lights. The rest are covered by monthly requisitions.
- Mr. Lord: Do these requisitions come to your office?
- Mr. Bower: Yes, sir.
- Mr. Lord: Are these requisitions supposed to be approved by one member of the commission?
- Mr. Bower: Yes; the originals are all approved.
- Mr. Lord: There is an item of \$25.00 for incidentals here; do they have to tell what they are?
- Mr. Bower: That is really a mere order to spend \$25.00; they have to submit vouchers for it. There is, of course, lots of small stuff they have to have. We allow them a small sum. The vouchers have to be submitted for approval.

Mr. Lord: What actual knowledge do you have that these people need, actually need, the stuff they are purchasing?

Mr. Bower: We have to have a certain amount of confidence in our men. Some of them have been with us twenty-five years and have not broken that confidence. If they put in items that should not be allowed, I talk with them; great many items have been ironed out before they are shown.

Mr. O'Brien: Could you trace out an entry of incidentals?

Mr. Bower: Yes—(files and vouchers shown).

Mr. Lord: Do you allow the overseers to make an overdraft on requisitions?

Mr. Bower: We give them a little leeway. These things are estimates, some of them, and some are actual costs.

Mr. Lord: Getting back to the spawning proposition. Do you produce your own fish entirely?

Mr. Bower: We sometimes buy a few brook trout and salmon. In fact I have thought best, and would now recommend, that we buy all our brook trout eggs. The only draw-back is that you couldn't always get what you need. You can buy them cheaper than producing them. The main reason is that the Eastern brook trout hatcheries are raising brook trout for the market, and what they get out of their eggs is largely velvet.

Mr. Lord: You say you can buy all the eggs cheaper? Why don't you do that?

Mr. Bower: I have recommended this to the board, but they are in doubt as to getting them.

Mr. Lord: How much would you save if you did buy them?

Mr. Bower: For instance, we would save at Harrietta the cost of planting brook trout the year around.

Mr. Lord: About how much?

Mr. Bower: I think we could save at that one hatchery \$2,000.00 a year.

Mr. Lord: And how much could you save at the other hatcheries?

Mr. Bower: We could save about the same proportion at hatcheries where we use brook trout eggs.

Mr. Lord: Eight or ten thousand dollars in the aggregate?

Mr. Bower: No, I should say about \$5,000.00 a year provided we bought all the brook trout eggs; that might be a little high.

Mr. Lord: Could you also buy your other spawn to advantage?

Mr. Bower: No, there is no place where it is produced. We would not save \$5,000.00 a year for this reason; because at the Soo we now buy all our brook trout eggs, and some at the Paris station. I think it would be safe to say that we could save from three to four thousand dollars a year.

Mr. Lord: Can you tell us about how many privately owned hatcheries there are in the state?

Mr. Bower: Yes, sir. There is a private hatchery near Evart owned by Mr. Postal's nephew of LeRoy, Michigan; W. H. Fray of Sand Lake has one, and I think there are from fifteen to twenty privately owned hatcheries in the state.

Mr. Hinkley: The 1915 legislature appropriated a certain amount to be used for investigating sites. What was done about that? Did the Commission make any recommendations?

- Mr. Bower: I don't know, but I do not think they did.
- Mr. Lord: In order to complete our record about your board meetings, I want to ask a few questions. Your record shows that from August 4th, 1915, to October 4th, 1917, Commissioner Hunsinger attended six meetings only; Mr. Postal, five meetings, and Mr. Mann only two meetings in over two years.
- Mr. Bower: That record is correct; but, of course, as I say, Mr. Hunsinger and Mr. Postal get together informally.
- Mr. Lord: Although Mr. Postal lives in Detroit, Mr. Hunsinger has attended more meetings than he. Mr. Mann has paid no attention to it, having attended only two meetings in over two years.
- Mr. Bower: They correspond quite frequently and monthly reports are sent to them. The meetings used to be held more frequently.
- Mr. Lord: You have had just six meetings during that time and Mr. Hunsinger has attended every meeting.
None of these records are signed by anybody except yourself. Why is it that the board has not signed the records; haven't the minutes been approved by the board?
- Mr. Bower: Yes, all have been approved; just overlooked the signing. I suppose.

MICHIGAN HISTORICAL COMMISSION

- Mr. Lord: Mr. Fuller, you are the Secretary of the Michigan Historical Commission?
- Dr. Fuller: Yes, sir.
- Mr. Lord: Will you state, in a general way, what the activities of the commission are?
- Dr. Fuller: The fundamental activity is collecting and publishing materials on Michigan history.
- Mr. Lord: Putting it as briefly as possible, tell us something about the nature of these collections and publications.
- Dr. Fuller: That is quite a long story. I perhaps might say that we have a set of collections, 39 volumes; the first volume was published in 1877 by the Michigan Pioneer and Historical Association; they have been continued by the commission since the association was discontinued, but they are now distinctly documentary. Heretofore, the collections have consisted of a great variety of materials which have been distributed to the schools. There is, however, a great deal of the material that could not be used by the schools, and so the idea was to distribute the material in some way so that it could be more wisely sent about. The documents now go to colleges, universities and public libraries. We have now taken the papers read at the meetings of the Pioneer Society which used to appear in the documents, and we publish them in the Michigan Historical Magazine; these documents and the magazine are the two fundamental publications.
- Mr. Lord: What is the cost of publishing these every year?
- Dr. Fuller: About fifty cents a volume.
- Mr. Lord: How many do you publish?
- Dr. Fuller: 2,500.
- Mr. Lord: Do you dispose of all of them?

- Dr. Fuller: Yes, sir. We have a regular mailing list and send the volumes out just as soon as possible. We have 2,000 on our permanent mailing list, schools, libraries, etc. We sell the volumes to individuals that desire them at a cost of \$1.00.
- Mr. Lord: Do you sell many?
- Dr. Fuller: We don't try to because they are more valuable in libraries and schools.
- Mr. Lord: How many of these annual reports have you on hand now?
- Dr. Fuller: Thirty-nine volumes of those plus one volume of the new University series.
- Mr. Lord: I mean, Mr. Fuller, the number of copies of these volumes that you have on hand now.
- Dr. Fuller: I couldn't give it to you definitely. Those volumes were kept over in the House and Senate store room and Charles Pierce had them taken down to the Oakland Building, and they were all put in there without counting.
- Mr. Lord: Well, those have been hanging around the Capitol for many years, so they could not all have been disposed of.
- Dr. Fuller: No. 22 and No. 27 are out of print, and they should not be disposed of entirely until the right places are found to put them in.
- Mr. Thompson: Is it advisable, Mr. Fuller, to make a larger number of these books than you would use ordinarily?
- Dr. Fuller: We have calls for them constantly; we have immediate demands for 2,000, and we print 500 more while the type is set. It costs very little more to print the 500 extra.
- Mr. Lord: Where does the demand for the extra copies come from?
- Dr. Fuller: From Michigan libraries that have been overlooked in the original distribution, and public schools, principally high schools, that had not received them before.
- Mr. Lord: Do you issue any pamphlets now, other than the one you sent to us?
- Dr. Fuller: Once on a while a serial bulletin. That is a little venture the commission undertook to encourage children to study Michigan history. We have published eight of those bulletins; No. 9 is in press now and contains prize stories; No. 10 will be a bulletin for Mrs. Ferry's use with clubs, etc. The point in publishing them separately is so that they can be in handy form for special use; probably not more than one or two will be published a year.
- Mr. Lord: You can't tell us approximately how many sets of volumes you have in the Oakland Building?
- Dr. Fuller: I should think there might be two hundred sets, thirty-nine volumes in a set.
- Mr. Lord: So that there is really about eight thousand books?
- Dr. Fuller: Yes, but undoubtedly those will be taken up.
- Mr. Lord: Have you always published twenty-five hundred volumes?
- Dr. Fuller: That has been the maximum for a long time.
- Mr. Lord: Now, the publication of those last year cost \$2,076.86, publications altogether.
- Dr. Fuller: I believe Mr. Munson reported to the Senate committee when I was present that the cost was approximately \$3,000.00 for our publications. We would print very much more than that if we could. Our limitation is from two directions; in the first place, state

printers, and second, the size of our staff. The purpose of our commission is to place before the people Michigan history and in a way that they can best use it.

Mr. Lord: You spoke of a mailing list; tell us about the mailing list you have. Are they principally the same people every year that you send to?

Dr. Fuller: Yes, the public libraries of Michigan, the public schools of Michigan, principally high schools, colleges and university, and institutions in other states where we get value received in the way of exchanges.

Mr. Lord: Do you send those by mail or express?

Dr. Fuller: The sets go freight and single volumes by parcels post.

Mr. Lord: That accounts for your heavy postage bill?

Mr. Fuller: Yes, sir.

Mr. Lord: Do you use the addressograph in addressing wrappers?

Dr. Fuller: Yes, Lampson does our work on the addressograph.

Mr. Lord: What does it cost?

Dr. Fuller: The cost varies, figures up a great deal less than if we did them by typewriter; the plates cost us 2½ cents apiece and they are, of course, all made up now.

Mr. Lord: Did you ever make any effort to get the addressograph that the state owns, and do your own work?

Dr. Fuller: I could buy Lampson's for about \$40.00.

Mr. Lord: Well, the state owns two of these at the present time; one in the Board of Health and one in the Public Instruction Department, and they are not in use all the time.

Dr. Fuller: Well, we have simply turned our mailing proposition over to Lampson.

Dr. Fuller: What does Lampson charge for addressing envelopes?

Dr. Fuller: It depends on the mailing. Our books are all wrapped, and he does the wrapping and ties and stamps and addresses the whole job.

Mr. Lord: How much does that cost a year?

Dr. Fuller: Mailing of seven hundred volumes for the first series cost us \$4.50; that means wrapping and stamping and doing everything; going and getting them, addressing them and carrying to the post-office. It cost us \$3.00 to mail 2,500 copies of the Fourth Annual Report, that is the handling of the entire thing from the bindery.

Mr. Lord: Now, in the statement that you have in your report, it is somewhat misleading, for the reason that you have no statement whatever of the amounts that you have drawn from the general fund, only from your special appropriation. The people of the state would think that it only cost the state \$5,028.94 for this commission, whereas the cost was really between nine and ten thousand dollars.

Dr. Fuller: That is very true, and I brought it up before the commission at the first meeting and their direction was to make it this way; also the Governor said that it was alright. Of course, it wouldn't occur again because we are now entirely on appropriation.

Mr. Lord: How much did you get last year?

Dr. Fuller: \$15,000.00 last year.

Mr. Lord: What new activities are you engaging in to make the additional appropriation necessary?

Dr. Fuller: Additional publishing and collecting, archives, the making of biography of Michigan; and for instance, we had a man here that worked all summer in the Archives Department and it cost us about \$300. He was, or is now, a member of the faculty at Ann Arbor, and of course the work of collecting is a work upon which you can spend any amount of money. Wisconsin spends every year \$80,000.00, Iowa \$60,000.00, and Illinois \$40,000.00. There isn't a state in the whole northwest that spends as little as we do. We are at least forty years behind Wisconsin.

Mr. Lord: Do you think, Dr. Fuller, that your work here is of real benefit to the people of the state?

Dr. Fuller: I can best answer your question in this way. The people of Michigan have instituted a university which has a department of history, for the training of students in the study and research in history. The head of that department is Prof. Van Tyne, a man who is a writer and scholar known internationally; and a man like Burton of Detroit, who spent thirty years in collecting certain materials; Jenks of Port Huron, Attorney; O'Brien of Kalamazoo, perhaps the best known man on ecclesiastical history, especially in the Catholic church; Clements, Regent of the University, and L. T. Hemans, who was a member of the commission before his death; if men like these can spend time, without pay, it is my idea that it is a very high endorsement of the work and it would indicate that there is something in historical study.

On the other hand, the states about us, the states we look up to for ideas, the eastern states, they all began this work many years ago and have gone away on in advance of anything we have or can have for many years; the states all around us, particularly Wisconsin, Illinois, Minnesota, Indiana and Iowa, have all gone ahead of us—Ohio is broken up because they could not get together in the work. Now, when you get over into Canada, that is so far away from us because they have the record office in back of them—as formed in England.

Mr. Lord: What use do you make of the reports that are sent to you?

Dr. Fuller: We publish whatever is worthy of publication.

Mr. Thompson: What means have you for knowing that this information is all accurate and true?

Dr. Fuller: We, of course, do not have any. We cannot actually check up every item, but the best thing we can do is to send it to some man with good historical judgment and ask him to check the work for us.

Mr. Lord: The question is, how many people read these publications?

Dr. Fuller: Well, they are used in most of the leading city libraries, city schools and many of the rural schools.

Mr. Thompson: What is there of actual value to the community? Have you any knowledge as to whether they are actually read and studied by pupils of the schools?

Mr. Fuller: We had last year at the Historical meeting a talk on that very thing, made by Mr. Cody. He sent out a questionnaire and the conclusion he reached was that these volumes were not useful for the public schools, and for that very reason we discontinued that collection; there was no use in sending it out to schools. It has been, as I

said, discontinued in the form of one, and is broken up in two series, documentary series and university series.

You can't go on with this sort of thing if the people are not interested. Now, if it isn't of any value, I want to get out of it. If it has value, we have got to convince the people of its value.

Mr. Lord: Of what value are the various biographies to a school, for instance?

Dr. Fuller: I think it is one of the most important studies for youngsters. You take the life of such a man as General Shafter. I presume few know that he lived down in Kalamazoo county. The value of it is in the inspiration that it gives to the youngsters. Of course, there are various ways of writing biographies, one that simply tells names, dates, etc., is of no value whatever, but one that interprets the life of the man, the obstacles he met with and overcame, etc., is a very valuable thing.

Another thing, I believe that there ought to be in all high schools a course of American History and at least a few weeks of Michigan History, so that the students would know the leading lines of development in their own state.

SUPERINTENDENT OF CAPITOL

Mr. Lord: Mr. Bennett, you are the Superintendent of the Capitol and Capitol Grounds?

Mr. Bennett: Yes, sir.

Mr. Lord: Will you state to the Commission, as briefly as possible, what your duties are?

Mr. Bennett: Well, the duties are looking after the Capitol Building, the State Offices outside of the building, and the grounds.

Mr. Lord: You have supervision of all the office buildings, and all lands owned by the state in the city of Lansing?

Mr. Bennett: No, I could hardly say that, for I don't have supervision over the School for the Blind and Industrial School grounds; just the Capitol grounds and two blocks owned by the state here in Lansing.

Mr. Lord: What are the activities connected with that supervision?

Mr. Bennett: I try to visit the different offices as often as possible, o. k. the bills for purchases of furniture, carpets and supplies, except those contracted for by the Board of Auditors.

Mr. Lord: Do you do the purchasing of furniture, carpets, etc.?

Mr. Bennett: I am supposed to; once in a while the department head goes off and purchases some unknown to me.

Mr. Lord: Was there an order issued, do you know, or a resolution passed by the Board of State Auditors, authorizing you to do this purchasing, or where do you get your authority?

Mr. Bennett: I can't recall about that; whether there has been an order or resolution by the Board of Auditors, I couldn't say at present. But I know that a requisition is supposed to be made on the Board of Auditors and, if for material of any kind, it is almost always turned over to me to purchase, even if the board isn't in session.

Mr. Lord: When an office orders a new desk, they are required to make

a requisition to the Board of State Auditors, and then that requisition is passed on by the board and referred to you to make the purchase?

Mr. Bennett: Yes, sir.

Mr. Lord: Did you receive any instructions from the Board of State Auditors, at any time, that you were to make all these purchases of furniture for all these offices?

Mr. Bennett: I couldn't say as to that, really. I don't know whether there is a resolution on record of that kind or not; there is a general understanding that requisitions come before the board and, if the board isn't in session, the secretary turns them over to me to act on in many cases.

Mr. Lord: So that, so far as you know, it is rather a "hit and miss" proposition, sometimes the requisitions are referred to you and sometimes they are not.

Mr. Bennett: Yes, that's true.

Mr. Lord: Do you keep a record of all the purchases you make in your office?

Mr. Bennett: Yes, and a record of some I don't make. For instance, if a bill goes through for material I have not purchased, they won't pass it unless my o. k. is on same.

Mr. Lord: What is the object of their asking for your o. k. when you don't make the purchase?

Mr. Bennett: Don't just know, except for record purposes.

Mr. Lord: Mr. Bennett, from whom do you usually purchase the furniture and through whom? Do you go to the factories where you can make purchases yourself, or do you get bids?

Mr. Bennett: I generally have an understanding with some local dealer here in Lansing who will give me the best discount, and purchase from him.

Mr. Lord: Have you ever tried any other dealers outside of Lansing?

Mr. Bennett: Oh, yes. I have got now so I know just about what the wholesale price of the goods should be and find it more satisfactory to buy here through a dealer. If I buy outside, the goods are, of course, just delivered to the station; and we have to attend to getting them to the offices, and oftentimes they are liable to be marred or broken and need some fixing. If I buy from the dealer here, they are delivered to the offices, unpacked and in good order. If they are marred or need a little fixing the local dealer attends to that.

Mr. Lord: Have you ever tried to buy direct from the factory?

Mr. Bennett: No, I never have.

Mr. Lord: Did you ever visit any of the furniture factories in Grand Rapids and see what you could do there?

Mr. Bennett: Yes, I have visited them but not to make any purchases or anything of that kind.

Mr. Lord: The Board of Auditors have not restricted you, have they? You would have authority to go to the factory and purchase these articles, wouldn't you?

Mr. Bennett: The only thing would be that I would not like to incur any traveling expenses without the board's approval.

Mr. Lord: You are a member and attend the meetings of the Michigan Institutional Buyers' Association. Do you purchase anything at all on recommendation of that association?

Mr. Bennett: Sometimes. For instance, some supplies such as electrical bulbs, etc. They have never taken up the matter of carpets, furniture, etc., which is my biggest line.

Mr. Lord: Can you tell us approximately the aggregate amount of your purchases for the last fiscal year?

Mr. Bennett: I could by looking at my books.

Mr. Lord: We would like to know the aggregate amount you have purchased through your department for the last fiscal year.

Mr. Bennett: There possibly are some accounts that have come direct that I did not purchase. Sometimes they go ahead and purchase without putting through the requisition until after the purchase is made.

Mr. Lord: Then, there really is no uniform system of state purchases as far as state departments are concerned. They often purchase without your knowledge?

Mr. Bennett: Not entirely so. There are cases where it has been done.

Mr. Lord: Can you think of any system whereby money could be saved in the matter of purchasing this kind of furniture? Can you see any way by which the state could be saved any considerable amount of money by any other system of purchasing for state departments, such as carpets, furniture, etc.?

Mr. Bennett: If there was a system whereby the purchases of the whole State of Michigan were combined, you might get a saving.

Mr. Lord: Don't you think that money could be saved by dealing direct with the manufacturers?

Mr. Bennett: I don't think so. I'll tell you, Mr. Lord, there are many cases where a person wants furniture and wants it immediately, and I am compelled to pay a bigger price than I would have to if I had more time. They want it immediately and I am obliged to go and buy from stock on hand.

Mr. Lord: Surely there could be a better system than that adopted. Departments should advise you in advance of their needs. They usually can tell a short time before if they are going to need a desk or anything like that, can't they?

Mr. Bennett: I can't say as to that.

Mr. Lord: How much have you bought recently? Can you tell us approximately?

Mr. Bennett: No, that would be quite a problem to tell. I presume that in the last four months I have bought \$5,000.00 worth of carpets and furniture.

Mr. Lord: On an average, about how much do you buy during the year? \$15,000.00 worth?

Mr. Bennett: Well, I wouldn't like to be recorded. I could give you nearly the exact amount, I will send the figures to you.

Mr. Lord: Do you keep an inventory of the properties owned by the state?

Mr. Bennett: I think the Board of Auditors have an inventory; they keep track of that themselves.

Mr. Lord: Do you know whether they go around in the various offices and check up the furniture, etc.?

Mr. Bennett: I think so. As far back as when Mr. McCoy was state treasurer, in 1901, he had an inventory taken of state property. I

know they have a man that goes around and puts marks on all property bought now.

Mr. Lord: Have you ever had any inventory except the one made by Mr. McCoy?

Mr. Bennett: No.

Mr. Lord: As a matter of fact, you don't know if there is one in the capitol or not?

Mr. Bennett: No, I don't know.

Mr. Lord: Shouldn't it be the duty of the Superintendent of the Capitol to keep the inventory and to take one every year?

Mr. Bennett: Well, the superintendent is just working under the Board of Auditors and if they keep track of it-----

Mr. Lord: Don't you think it should be his duty to do that?

Mr. Bennett: Don't know of any reason why it should, any more than the Board of Auditors. I might find a mark on that chair and I might not. It might belong to the Senate or House of Representatives. The Board of Auditors might not have any record that they had bought any chairs for this committee room. There is an inventory taken of the Senate property, but it is done by the Sergeant-at-Arms of the House and Senate. A copy of that is supposed to be turned over to me. I don't think I had a copy at the last session.

Mr. Lord: So as a matter of fact, various people have to do with the purchases of furniture, carpets, etc., and different persons take an inventory of the furniture and other property?

Mr. Bennett: We have not anything entirely uniform about it.

Mr. Lord: Don't you think it would be better if we did have some uniformity?

Mr. Bennett: Possibly.

Mr. Lord: Don't you think it would be better if the superintendent of the capitol had charge of all this, and thus the responsibility be placed in one man?

Mr. Bennett: Possibly it might be; but I can see how the Board of Auditors, I suppose, think they have a pretty good system in taking care of it.

Mr. Lord: Do you make any purchases of anything outside of furniture, carpets, soap, towels, etc.

Mr. Bennett: You mean office supplies?

Mr. Lord: Yes, any supplies at all used by the departments.

Mr. Bennett: I don't purchase much like that. Sometimes a requisition goes through the Board of Auditors for something special and then I purchase it.

Mr. Lord: Where do you buy those things?

Mr. Bennett: No place in particular. Wherever I think I can get the best goods for little money.

Mr. Lord: How do you buy soap?

Mr. Bennett: From wholesalers and manufacturers.

Mr. Lord: Can you tell us the kind of materials and furniture you buy?

Mr. Bennett: Carpets, linoleum, tables, chairs, desks, steel stuff, not only filing cases, but steel shelving, and things like that.

Mr. Lord: Do you buy much lumber?

Mr. Bennett: Why, anything we need by way of lumber.

Mr. Lord: Where do you buy that?

Mr. Bennett: Here in the lumber yards.

Mr. Lord: Do you buy very much?

Mr. Bennett: No, I shouldn't call it very much.

Mr. Lord: Do you advertise for bids on your boxes?

Mr. Bennett: I generally get a list of what I need and go direct to the different lumber companies here in Lansing. We have tried outside firms, but it is quite a bulky proposition. I have been buying the legislature's boxes for the last two years here in Lansing. I buy them in the knock-down for 45 cents and it would cost from \$1.25 to \$2.00 to buy them made up now.

Mr. Lord: Who authorizes the purchase of those boxes?

Mr. Bennett: The Secretary of State.

Mr. Lord: So that some purchases are made without requisition to the Board of Auditors?

Mr. Bennett: In some cases where I know material is needed, I look to see what I can get, and if the price is satisfactory I buy it, and make a requisition afterwards.

Mr. Lord: How much during the year do you suppose you purchase in that way, the aggregate amount in money, I mean?

Mr. Bennett: I couldn't say.

Mr. Lord: Do you buy \$1,000.00 worth a year?

Mr. Bennett: Possibly. It is rather indefinite and would be hard to find out. We buy some things that we never make requisitions for.

Mr. Lord: That is, you never turn in a requisition after you make the purchases?

Mr. Bennett: For instance, if the electrician should come to me for 100 or 1,000 feet of wire and say he needed it for repairs, etc., and needed it immediately, why you couldn't very well ask him to wait to get a requisition through.

Mr. Lord: Do you keep electrical supplies on hand at all?

Mr. Bennett: We are supposed to keep a certain amount on hand; we get most of that stuff right here in town as we can do just as well on it, but if I am offered any better prices, I don't hesitate to buy in advance of our needs. That would be another case where I would, or might, file a requisition after purchase.

Mr. Lord: Do you have a stock room for supplies you keep on hand?

Mr. Bennett: A small stock room.

Mr. Lord: What record do you keep of the material and supplies in that stock room?

Mr. Bennett: No particular record. We have what we call special requisitions and if it was for soap, for instance, they would send it in to me.

Mr. Lord: What would you do with that requisition?

Mr. Bennett: File it away; I have a file for requisitions.

Mr. Lord: Do you make any book entry of it?

Mr. Bennett: No book entry at all.

Mr. Lord: Do you take an inventory of your stock room every year?

Mr. Bennett: No.

Mr. Lord: Don't you know at the end of every year what you have given out?

Mr. Bennett: No, simply what—

Mr. Lord: What records do you keep of purchases you make, and of requisitions you get?

Mr. Bennett: We enter all on the book.

Mr. Lord: What kind of book?

Mr. Bennett: A regular book we have there, in which we enter everything as it is purchased and when the bills come in, I o. k. them.

Mr. Lord: Do you have any book entry of amounts purchased, the cost of same, etc.?

Mr. Bennett: Yes; everything is in black and white, showing what it costs.

Mr. Lord: You don't keep any stock account against any of the departments, do you?

Mr. Bennett: No, but our book shows to what departments the stuff went.

Mr. Lord: What improvements do you think could be made in the present system of purchasing?

Mr. Bennett: Why, if, as you suggested a little while ago, everything should come through one head, I think it would be an improvement.

Mr. Lord: You think you would get better results and also get materials cheaper?

Mr. Bennett: I think you couldn't help but get some of the stuff cheaper.

Mr. Lord: You don't have anything to do whatever with purchase for state institutions, do you?

Mr. Bennett: No.

Mr. Lord: What purchases do you make for the legislature, any at all?

Mr. Bennett: Why, no, although I do supply the legislature sometimes with a good deal of small stuff, the same as I do the departments. For instance, the Industrial Accident Board have a fund and they are supposed to live within that fund. They might want some little thing that I had; for instance, a half dozen electric bulbs, and if they were compelled to go down town and buy them, they could not buy them for less than list price and I could buy them for 31% off. Things of that kind I turn over to them without any record.

Mr. Lord: How long has this present system been in force, for the Superintendent of the Capitol to make purchases of carpets, furniture, etc.?

Mr. Bennett: I think it is the growing tendency to have it go to one head. I think my purchases are better than if Tom, Dick or Harry had made the purchases.

Mr. Lord: Isn't it a fact that, until recently, every department of the state government made its own purchases, to a great extent?

Mr. Bennett: Yes, I think largely that is true.

Mr. Lord: So that, evidently, the Board of Auditors thought it would be an improvement to have one man make the purchases, and at the same time the board has not insisted that one man make all the purchases; it has permitted some departments to make their own purchases at various times, without any requisitions?

Mr. Bennett: Yes, sir.

Mr. Lord: What steps do you take to know that the bills are o. k.?

Mr. Bennett: If a bill comes to me from a member of the Board of Auditors, I don't take very many steps unless I know that the amount charged is too much. For instance, a bill came to me the other day from the Superintendent of Public Instruction. It was

o. k.'d when it came to me and I went back and asked about the bill, as it was 20 to 25 per cent too high. The girl in his office said that she had o. k.'d it; that she knew the stuff had been received, but that if the bill was not correct, they, of course, did not want to pay it. It was simply a question of discount. The firm they bought of was giving 25% off and I could get 40% off. I took it up with the people they bought from, and after a while they said they would give us 40% off, so that it resulted in a saving of \$30.00 to \$60.00 in that particular case.

Mr. Lord: Do you refer now to the new furniture bought for the Superintendent of Public Instruction?

Mr. Bennett: It was some furniture bought for that department.

Mr. Lord: You say the original discount was 25% and you got it increased to 40%?

Mr. Bennett: Yes, sir.

Mr. Lord: Are you quite sure that the bill was settled on a 40% discount basis?

Mr. Bennett: I am sure because I o. k.'d it after the discount was on the bill and I put it through the Board of Auditors.

Stowell-David Company of Grand Rapids had quite a bit of talk with Mr. Ellsworth of the Insurance Department trying to get him to buy their line of furniture; they even had a large cut made showing him how nice his office would look. They took the matter up with me, and DeKline was with them, (their local dealer). I said to him, "Why is it, I can't get as much discount from you as from other concerns?" They said that their goods were better goods, and all this and that. I told them I couldn't look at the furniture as I could buy cheaper elsewhere. They were only allowing 25% discount and I could get 40%. Then they said, "If you will buy all your furniture of us, we will give you 40% discount." I told him that I would buy nothing of him if he didn't give me 40% off and that if he did, he would stand as good a chance as anybody else. I got the 40% off, except on steel stuff, and better on chairs. I got the chairs for 10% increase over cost.

Mr. Lord: Do you buy any furniture through Allen & DeKline, the local dealers here?

Mr. Bennett: Sometimes a party will send in a requisition for a filing case or something that they want to match, something they have previously bought from them, and, in such cases, I do sometimes send the order to them.

Mr. Lord: They get a commission, of course, for such sales?

Mr. Bennett: Yes, sir.

Mr. Lord: That commission would be saved if you bought direct from the manufacturer, wouldn't it?

Mr. Bennett: I figure that I can do as well buying from parties that deliver the goods here in the building. They pay the freight and stand ready to make good if the goods are not in good condition when they arrive. I believe it is a better proposition than to buy direct from the factory and save 10%.

Mr. Lord: Don't you think, Mr. Bennett, that a contract could be made with some big furniture manufacturer in Grand Rapids, or elsewhere,

to supply the state departments with the various articles of furniture purchased by the state?

Mr. Bennett: Well, what are you going to do? There is hardly two offices that want the same line of goods.

Mr. Lord: Well, they may not want the same line of goods, but couldn't there be sort of a standardization of furniture for the various offices?

Mr. Bennett: If you can bring that about, possibly a deal could be made. As it is now, out of a dozen requisitions, there may be eight different lines of goods. They simply refuse to make the deal unless they have what they want. I had a requisition for a safe cabinet from the Securities Commission, for instance, and it was made on the Kalamazoo firm that the state contracts a good deal with. I took the matter up with the firm in Kalamazoo and their terms were 5% off if you paid the account before the 10th of the month. There is another firm just as good, and in some respects I like it better, which will give me 20% off. I told them this and after a good deal of correspondence they met the competition. A few days ago the Board of Auditors got word from them that the safe was in Kalamazoo, ready to be shipped, but that they couldn't sell it for the price we asked, and could only allow us 5%. If I had the say, I would tell them to cancel the order. I went over to the secretary of the Securities Commission and told him about the deal and that the Art Metal Company made as good a safe, etc. After talking with him, I told the Board of Auditors to cancel the order. We thought we would give them a little leeway and wait a few days, as this safe was all ready for prompt delivery, and I wrote to them that it was up to them, as we didn't want to buy the safe at that price. I expect the Art Metal Company man will be here this week, when I shall give him the specifications and undoubtedly buy of him.

Mr. Lord: As a matter of fact, Mr. Bennett, the Board of Auditors permits the Securities Commission or any other department to go ahead and make its own purchases, does it?

Mr. Bennett: There are some departments that make their own purchases and I guess the Board of Auditors, in some cases, allow the bills for them.

Mr. O'Brien: Is it your observation, Mr. Superintendent, that the purchases that are made without requisition, are made by the departments who are represented on this Board of Auditors?

Mr. Bennett: No, not altogether. All the departments have the same privilege. It is supposed that they do not make purchases in that way, but they sometimes do.

Mr. Thompson: How long have you been here, Mr. Bennett?

Mr. Bennett: I came here in 1901 originally, but I was out for about eighteen or twenty months, two or three years ago.

Mr. Thompson: You started in as superintendent?

Mr. Bennett: Yes, sir.

Mr. Lord: Who has charge of the vacant land in and around the capitol owned by the state?

Mr. Bennett: It is under my charge, all but two lots, which were turned over to the city for parks.

Mr. Lord: Have you, or anybody else, to your knowledge, made any effort to standardize equipment used by the state departments?

Mr. Bennett: No, I don't think so.

Mr. Lord: If the State Board of Auditors had a uniform purchasing system, it would be a great improvement, wouldn't it?

Mr. Bennett: Yes, sir.

Mr. Lord: Do you keep any track, Mr. Bennett, of the furniture or equipment in the various departments of the state?

Mr. Bennett: As I say, I think there is a record in the office of the Board of Auditors. I don't have any system myself, and I presume the record is incomplete along this line.

Mr. Lord: Do you make any reports to the Board of Auditors?

Mr. Bennett: I make reports to them of stuff that I sell. I don't specify from what office it came. For instance, Mr. Fuller might have something that he does not need or want. I do with it what I think best. I may sell it or turn it over to some other department, but, now to follow right back, I don't think you would find a record in the office of the Board of Auditors that those things had been discarded.

Mr. Lord: When you sell junk and stuff of that kind, what do you do with the cash you receive?

Mr. Bennett: Turn it over to the State Treasurer and report to the Board of Auditors as to what I have sold.

Mr. Lord: What does that report consist of, prices received, etc.?

Mr. Bennett: For a number of years I simply turned over the cash I received for those things, but, I think it was during Osborn's administration, I thought I was getting so much money that I should keep a record of it, so I took it up with Mr. Hamilton, the accountant, and we got a system of receipts whereby I am protected. It is the triplicate receipt system. When a man buys any furniture, or anything of that kind, and pays me for it, I give him a copy of the receipt, keep a copy and turn the other copy over to the Board of Auditors when I send in my monthly report.

Mr. Thompson: Mr. Bennett, the capitol police are under your control, are they not?

Mr. Bennett: Yes, sir.

Mr. Thompson: Have you established any unit of work for your people; how do you tell whether one of your employes is doing enough work or not?

Mr. Bennett: Well, we watch them pretty closely. Most of our employes have a certain amount of work to do and they have to do that. We have five or six men on our payroll that we call "utility" men. For instance, if a janitor in some department is absent, we supply one of these utility men. Sometimes they work hard and some overtime. Sometimes, of course, it is a little slack.

Mr. Thompson: How do you determine whether you should put one janitor or two on a certain job?

Mr. Bennett: That is sort of settled by the Board of Auditors and the department requiring the janitor services. Take Mr. Fuller's department; he has had three janitors until lately, but now has only two.

Mr. Thompson: Tell us, Mr. Bennett, whether you make any effort to determine whether one man could do the work or whether it would require two men in any certain place.

Mr. Bennett: The trouble with the janitor work is that they can't go into a department and do the janitor work while the office force is working. It has to be done early and late. Also, some of the department janitors are partly on my payroll and partly on their payroll. They do the janitor work and then do odd jobs for the department during the rest of their time.

Mr. Thompson: You talked about boxes and about buying them. Would it be economical to buy those boxes from the Marquette State Prison?

Mr. Bennett: Not unless they could be sent down here in the knock-down. The trouble is, they don't know just the stock size they are going to use here each year.

Mr. Thompson: Do you have any standard size of boxes that you use?

Mr. Bennett: No.

Mr. Thompson: Isn't there any way that could be arranged?

Mr. Bennett: I don't think so. We have a lot of small boxes here now that were ordered in the knock-down some years ago.

Mr. Thompson: You haven't any demand for boxes of that size?

Mr. Bennett: No.

Mr. Thompson: What survey, or examinations, are made as to fire risk in the Capitol; by experts, I mean?

Mr. Bennett: Well, there has been some experts around to look the proposition over.

Mr. Thompson: Can you remember when the last examination was made?

Mr. Bennett: I think that was done when I was away two or three years ago.

Mr. Thompson: Do you know who did it?

Mr. Bennett: No, I do not. There was a report and when I looked for it, I couldn't find it again.

Mr. Thompson: Is there anybody who makes it his business, besides yourself, to watch for increase of fire risk here?

Mr. Bennett: Why, I don't know that there is. I know I am fighting the proposition all the time to keep down the fire risk. We have moved lots of stuff out of the attic and had it put in other places. Also, ever since the war, I have hired two extra watchmen and they parole the outside of the building nights. I have arranged for extra lights to light the corners of the building. Take it inside, we have six regular watchmen, who are working, practically, eight-hour shifts. I might say that there are eight of them because there are two in the basement acting as watchmen. Also, we have a man in the Treasurer's department who locks himself in at 8 o'clock in the evening and stays there until 6 or 7 in the morning. Practically nine men inside the building and two men outside. They have watchmen's clocks that they have to visit every hour, excepting those in the basement, who visit them every half hour.

Mr. Lord: What disposition is made of your waste paper?

Mr. Bennett: It is sold.

Mr. Lord: Who sells it?

Mr. Bennett: I do.

Mr. Lord: How much paper did you sell last year and what did you receive for it?

Mr. Bennett: I should think off-hand from fifteen hundred to two thousand dollars worth of waste paper and books.

Mr. Lord: Do you sell it here in Lansing?

Mr. Bennett: Yes. I think I get more for it than I would by sending it away to paper mills.

Mr. Lord: How much a hundred weight do you get for it?

Mr. Bennett: Last year for common paper, \$16.00 a ton is as much as I got; book paper, \$34.00 a ton; but I am getting only \$10.00 and \$16.00 now.

Mr. Lord: Can you tell us what percentage of your sales was books?

Mr. Bennett: Possibly one-half.

Mr. Lord: Do you sell lots of Public Acts?

Mr. Bennett: There was a bunch of Public Acts sold.

Mr. Lord: What is the nature of the books you sell, departmental reports?

Mr. Bennett: Not so many of those; they have those figured down pretty fine.

Mr. Lord: Can you tell us anything about reports and old documents of various kinds that are stored now in the Capitol Building?

Mr. Bennett: Well, there are quite a good many of those stored around here.

Mr. Lord: Are they used at all?

Mr. Bennett: Yes, sir.

Mr. Lord: Where are they stored?

Mr. Bennett: Up in the attic, the fourth floor and the basement. We have the new Compiled Laws stored down town.

Mr. Lord: Who and what are the duties of the Assistant Superintendent?

Mr. Bennett: William Hoffman. He looks after the workmen, gets the bills ready for the Superintendent's o. k.; gets the pay roll ready, etc.

Mr. Lord: Are these employes engaged by yourself, Mr. Bennett?

Mr. Bennett: Very few of them.

Mr. Lord: Who are they hired by?

Mr. Bennett: The Board of Auditors hires most of them, practically all of them.

Mr. Lord: Do you really need all of these employes? Do you think they are all necessary and essential?

Mr. Bennett: I think I really ought to have more directly under me.

Mr. Lord: Do you think that you really need all of these men?

Mr. Bennett: That is a wide question. For instance, the Secretary of State has two janitors on my pay roll. It might not be necessary for me to pay the amount I pay to do the janitor work, in the office, but the men are earning the money by doing work in the department other than janitor work. The Secretary of State's office keeps them busy the balance of their time.

Mr. Lord: What do you pay the janitors in the Secretary of State's office?

Mr. Bennett: Mr. Bosch gets \$75.00 a month and the other one \$1,000.00 a year. I don't think either one of those get anything more from the Secretary of State.

Mr. Lord: What really constitutes the duties of these janitors; that is, the janitors under your direct supervision?

Mr. Bennett: Well, they are supposed to keep the various rooms clean. They do this in the morning and in the evening.

Mr. Lord: How many hours do they work a day?

Mr. Bennett: They are on deck nearly all the time. They very often have to come earlier, but their regular hours are from 7 to 5.

Mr. Lord: What do they do when the offices are filled with clerks?

Mr. Bennett: Down in the Secretary of State's office they work at packing, etc.

Mr. Lord: What are the duties of the hall janitors?

Mr. Bennett: The hall janitors keep the halls clean, mop the floors, etc. Some of them work from 7 to 5 and some from 6 to 5. These men get \$1,000.00 a year.

Mr. Lord: How long have they been getting that salary?

Mr. Bennett: Not so very long; they were raised some time in May.

Mr. Lord: What about the rest of these men on your pay roll?

Mr. Bennett: Some of them are utility men, and I think are the most valuable men we have. They fill vacancies. You know that under the law, every man is entitled to one month off during the year, so that we have to fill these vacancies caused by vacations and sickness.

Mr. Lord: Do you think the period of vacation is too much?

Mr. Bennett: Our legislature didn't think so. I thought the law was a little stiff at the time they made it, but of late years, especially since the war began, I think the laboring man is getting the poor end of the deal. A good many of the men utilize their vacation to earn a little on the side.

Mr. Lord: What do you think of their salary?

Mr. Bennett: I thought it was a fair salary to pay them, although the board put it up to me when the janitors asked for an increase in salary.

Mr. Lord: Do you know of any corporation in Lansing, or in any Michigan city, which gives its employees twenty-four days a year vacation, with pay?

Mr. Bennett: I don't know of any.

Mr. Lord: Isn't it usually two weeks' vacation they get?

Mr. Bennett: I think so.

Mr. Lord: What do you do in the matter of sickness? Is it charged up against the vacation or do they get sick leave in addition to regular vacation.

Mr. Bennett: It is charged up unless the Board of Auditors directs otherwise in special cases.

Mr. Lord: How about the janitor in the Board of Health? Do they pay him a little extra? He is down for \$75.00 a month on your payroll.

Mr. Bennett: I think they do.

Mr. Lord: How much?

Mr. Bennett: Enough to make him \$1,000.00 a year, I believe.

Mr. Lord: Mr. LaVaque is janitor for the State Library; isn't he also on their payroll in addition to being on yours?

Mr. Bennett: The fact of that matter is that he goes there and works nights and they pay him for that. It is extra work and extra hours. Guess he is a good man and he stays in the Law Library nights or evenings at the request of some of the judges of the Supreme Court. I think he gets \$25.00 a month for that.

Mr. Lord: All these men on the roll for \$60.00 and \$75.00 a month are men who also are on payrolls of the various departments in which they are located?

Mr. Bennett: With one or two exceptions, yes.

Mr. Lord: How about the janitress of the ladies' room?

Mr. Bennett: She gets \$1,000.00 a year; her salary was increased a month or so ago.

Mr. Lord: What work does your painter have to do? Does he attend to all the painting in the State Capitol?

Mr. Bennett: There are cases where they go outside for painters, where they want fine decorating done.

Mr. Lord: How about your carpenter?

Mr. Bennett: He is the best man on the payroll. He is surely a good man and does all the repair work.

Mr. Lord: How about the watchmen or policemen; you have twelve all told?

Mr. Bennett: What we call policemen includes two men outside and the man in the Treasurer's office and men in the buildnig. They are all included in that bunch.

Mr. Lord: How many have you in the Capitol Building itself?

Mr. Bennett: There are nine of them that put in more or less time; in fact they put in all their time.

Mr. Lord: How do you arrange their work?

Mr. Bennett: The men that go on from seven in the morning until four in the afternoon have a little longer shift than the others. There was a little strife about the men not wanting to go on the night or midnight shift and stay until morning, so we changed the hours and put them on from midnight until seven in the morning, so that the men coming on in the morning get the extra hour. We have three who work from seven to four, three from four to twelve, and three from twelve—midnight—to seven in the morning.

Mr. Lord: What constitutes their duties?

Mr. Bennett: They watch the building; the day men show visitors around and those that come on later, of course, look out for fire risk, etc. In the basement, the two men that stay there show the war relics, etc.

Mr. Lord: Do you think all these men are necessary for that work?

Mr. Bennett: Well, it is just a question of the safety of the building and showing the people around. I never thought the two men in the basement were of much use except to show relics. You have to have two men because one man has to be relieved for dinner, etc.

Mr. Lord: I notice that you have a janitress at \$30.00 a month?

Mr. Bennett: Well, she takes care of the judges' room in the Capitol National Bank Building, Judges Ostrander and Stone. She does that work in the evenings.

Mr. Lord: What other laborers do you have and what do they do?

Mr. Bennett: We have four now and may have to increase the number when the snow comes on. They keep the walks clean and do odd jobs around the grounds.

Mr. Lord: I also notice that you have an engineer. What does he do?

Mr. Bennett: He looks after the steam plant, heating apparatus, etc.

Mr. Lord: You don't use the steam plant, do you?

- Mr. Bennett: When you have pipes that have been in the building as long as these have, you really have to have someone to look after them.
- Mr. Lord: If you were given authority to hire the janitors for the various offices, outside of the State Capitol, would you hire as many?
- Mr. Bennett: The janitor work could be done with less men, certainly. I could hire quite a number less men and keep it clean, but I couldn't hire the messengers for the other departments.
- Mr. Lord: Don't you think it would be a much better plan if you were given entire charge of that work, and let the departments look after their own work?
- Mr. Bennett: It is barely possible that they might work one of these men where they otherwise would have to put in a man at full pay.
- Mr. Lord: Under the present system there is no uniformity in the hiring of these men?
- Mr. Bennett: No, nothing uniform about that.
- Mr. Lord: What do you know about the various offices the state rents?
- Mr. Bennett: I rent the offices for them.
- Mr. Lord: Can you tell us off-hand how much rent we pay for offices located outside the Capitol Building?
- Mr. Bennett: About \$25,000.00 a year.
- Mr. Lord: How many offices does the state rent down town?
- Mr. Bennett: Oh, offices in how many buildings?
- Mr. Lord: I mean, how many departments are located outside of the Capitol?
- Mr. Bennett: I should say about thirty.
- Mr. Lord: You don't have anything to do with the offices rented outside of Lansing for the Labor and Dairy and Food Departments, do you?
- Mr. Bennett: No, sir.
- Mr. Lord: So that they pay for their outside offices in addition to the \$25,000.00 a year. The chances are, then, that the total rent would be between \$30,000.00 and \$40,000.00.

INDEX

TABLE OF CONTENTS

	Page
Why a Budget System.....	3-12
Uniform Accounting.....	13-16
State Purchasing.....	16-22
State Printing.....	22-24
State Institutions'.....	24-27
Industrial School for Boys.....	24-25
State Prison, Jackson.....	25-26
College of Mines.....	-26
University of Michigan.....	26-27
State Normal Schools.....	-27
Farms.....	-27
State Departments.....	27-30
Statutory Changes.....	30-37
Dairy and Food Activities.....	-30
Deeds to State Property.....	-31
Examination of State Lands.....	-31
Game Laws.....	31-32
Michigan Fish Commission.....	-32
Securities Commission.....	-33
Highway Department Activities.....	-33
Banking Department Activities.....	-33
State Tax Commission.....	-34
Advisory Board in the Matter of Pardons.....	-34
State Auditing.....	34-35
Consolidation of Offices.....	35-37
Proposed Law Providing for a Budget System.....	38-42
Proposed Law Providing for a Uniform Accounting System.....	43-46
Statistical Tables.....	47-57
Comparative Statement of the Assessed Valuation and Taxes Levied 1912-1917.....	-47
Comparative Statement Showing the Salaries and Expenses of, and the Average Number of Persons Employed in, the Several De- partments of State Government for the Fiscal Years Ending June 30, 1908 and 1917.....	48-49
Comparative Statement Showing Salaries Paid Elective State Officers in Michigan and in Other States Having Population Nearest Equal to that of Michigan.....	-50
Comparative Statement Showing Salaries Paid Deputies and Secre- taries of the Various State Departments for the Years 1908 and 1918.....	-51
Comparative Statement Showing the Costs for 1908 and 1917 of the Principal Departments of the State Government, Together with the Per Cent of Increase or Decrease.....	-51
Comparative Statement Relating to State Hospitals and Charitable Institutions.....	-52
Comparative Statement Relating to State Educational Institutions..	-53
Amounts Paid for Services of Architects for the Five Year Period Ending June 30, 1917. Also Amount Paid for Services of Archi- tects for the Fiscal Year Ending June 30, 1917.....	-54
List of Books, Reports, Bulletins, Etc., Printed by and Under Direc- tion of the Various Departments of the State Government.....	55-57

	Page
Stenographic Report of Examination of State Offices.....	58-277
Auditor General's Department.....	58-73
Department of State.....	73-85
Treasurer's Office.....	85-90
Superintendent of Public Instruction.....	90-97
State Highway Department.....	97-106
Board of State Auditors.....	106-120
Michigan Securities Commission.....	120-129
Public Domain Commission.....	129-138
Commissioner of Insurance.....	138-145
Commissioner of Labor.....	145-151
Commissioner of Banking.....	151-156
Food and Drug Commissioner.....	156-167
Game, Fish and Forest Fire Commissioner.....	168-181
State Library.....	181-186
State Oil Inspector.....	187-195
State Board of Health.....	195-204
State Tax Commission.....	205-216
Michigan Railroad Commission.....	216-224
Industrial Accident Board.....	225-237
Board of Corrections and Charities.....	237-245
Advisory Board in the Matter of Pardons.....	245-247
Michigan Fish Commission.....	247-260
Michigan Historical Commission.....	260-264
Superintendent of Capitol.....	264-277

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